MINUTES OF THE REGULAR MEETING
OF THE
POWER AUTHORITY OF THE STATE OF NEW YORK

June 24, 2003

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Minutes of the Regular Meeting of the Power Authority of the State of New York held at the Robert M. Flynn Power Plant at 11:00 a.m.

Present:	Louis P. Ciminelli, Chairman Frank S. McCullough, Jr., Vice Chairman Timothy S. Carey, Trustee Gerard V. DiMarco, Trustee Joseph J. Seymour, Trustee – Excused

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Eugene W. Zeltmann	President and Chief Executive Officer
David E. Blabey	Executive Vice President, Secretary and General Counsel
Robert A. Hiney	Executive Vice President – Power Generation
Vincent C. Vesce	Executive Vice President – Business Services and Administration
Peter A. Barden	Senior Vice President – Public and Government Affairs
H. Kenneth Haase	Senior Vice President – Transmission
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Michael H. Urbach	Senior Vice President and Chief Financial Officer
Carmine J. Clemente	Deputy Secretary and Deputy General Counsel
Arnold M. Bellis	Vice President and Controller
John M. Hoff	Vice President – Procurement and Real Estate
Charles I. Lipsky	Vice President and Chief Engineer
Thomas H. Warmath	Vice President and Chief Risk Officer – Energy Risk Assessment and Control
James H. Yates	Vice President – Major Account Marketing and Economic Development
Dennis T. Eccleston	Chief Information Officer
Angela D. Graves	Deputy Secretary
Joseph J. Carline	Assistant General Counsel – Power and Transmission
Gary Paslow	Executive Director – Policy Development
Craig D. Banner	Director – Electric System Marketing and Customer Billing
Jordan Brandeis	Director – Supply Planning, Pricing and Power Contracts
Angelo S. Esposito	Director – Energy Services
John B. Hamor	Director – Internal Governmental Affairs
Luis A. Rodriguez	Director – SENY and Public and Government Affairs
Daniel Wiese	Director – Corporate Security/Inspector General
Shalom Zelingher	Director – Research and Technology Development
Peter Scalici	Deputy Inspector General
James F. Pasquale	Manager – Business Power Allocations and Compliance
Lorna M. Johnson	Assistant Secretary
Andrew J. McLaughlin	Assistant Secretary – Legal Affairs
Lenny Catalino	Account Executive
Bonnie Fahey	Executive Administrative Assistant
Noelle Zandri	Secretary to General Counsel

Chairman Ciminelli presided over the meeting. Executive Vice President, Secretary and General Counsel Blabey kept the Minutes.

1. Approval of the Minutes

The minutes of the regular meeting of May 20, 2003 were adopted unanimously.

2. Financial Reports for Five Months Ended May 31, 2003

Mr. Bellis provided the Financial Report for the five months ended May 31, 2003.

3. Report from the President and Chief Executive Officer

President Zeltmann introduced Mr. Hiney who provided an update regarding construction at the 500 MW Combined Cycle Plant in Astoria. Mr. Hiney reported that construction is achieving its major milestones, although the contractor is a week or more behind schedule.

Mr. Hiney further discussed the Power Generation Unit's preparations for the upcoming summer weather, emphasizing the challenges which lie ahead. Responding to questions from Chairman Ciminelli, Mr. Hiney noted that the overall situation is manageable and reported that the combustion turbines in the New York metropolitan area are running and have proven to be a valuable source of capacity.

Responding to questions from Trustee Carey, Mr. Hiney reported on the current water levels in the Great Lakes.

4. <u>Power Allocations under the Power for Jobs Program</u>

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve 30 allocations of available power under the Power for Jobs ('PFJ') program to the businesses listed in Exhibit '4-A' which have been recommended for such allocations by the Economic Development Power Allocation Board ('EDPAB').

BACKGROUND

"In July 1997, Governor George E. Pataki and the New York State Legislature approved a program to provide low-cost power to businesses and not-for-profit corporations that agree to retain or create jobs in New York State. In return for commitments to create or retain jobs, successful applicants receive three-year contracts for PFJ electricity.

"The PFJ program originally made available 400 megawatts ('MW') of power. The program was to be phased in over three years, with approximately 133 MW being made available each year. In July 1998, as a result of the initial success of the program, Governor Pataki and the Legislature amended the PFJ statute to accelerate the distribution of the power, making a total of 267 MW available in Year One. The 1998 amendments also increased the size of the program to 450 MW, with 50 MW to become available in Year Three.

"In May 2000, legislation was enacted which authorized another 300 MW of power to be allocated under the PFJ program. The additional megawatts were described in the statute as 'phase four' of the program. Customers who received allocations in Year One were authorized to apply for reallocations. Over 95% reapplied. The balance of the power was awarded to new applicants.

"In July 2002, legislation was signed into law by Governor Pataki, which authorized another 183 MW of power to be allocated under the program. The additional megawatts are described in the statute as 'phase five' of the program. Customers who received allocations in Year Two or Year Three will be given priority to reapply for the program. Any remaining power will be made available to new applicants.

"Approved allocations will entitle the customer to receive the power from the Authority pursuant to a sale for resale agreement with the customer's local utility. A separate allocation contract between the customer and the Authority will contain job commitments enforceable by the Authority.

"The program is designed to assist New York State enterprises that are at risk of reducing or closing their operations, moving out of State, or are willing to expand job opportunities. Successful applicants are required to create or maintain a specific number of jobs in order to qualify for an allocation. At various meetings from December 1997 through May 2003, the Trustees approved allocations to 1,268 employers under the PFJ program. Currently, the program is linked to some 300,000 jobs at manufacturing facilities, small businesses, hospitals, colleges, and cultural institutions across the state.

DISCUSSION

"Completed applications were reviewed by EDPAB and recommendations were made based on a number of competitive factors including the number of jobs retained or created, the amount of capital investment in New York State, and whether a business is at a competitive disadvantage in New York. Thirty (30) applications were deemed highly qualified and presented to the EDPAB for its review on June 24, 2003.

"As a result of its meeting, the EDPAB recommended that the Authority's Trustees *{approve}* the allocations to the 30 businesses listed in Exhibit '4-A'. Exhibit '4-A' lists those businesses that were recommended to have their existing allocation extended under phase five of the program. These organizations have agreed to create or retain over 6,300 jobs in New York State in exchange for allocations totaling 12.310 MW. The allocation contracts will be for a period of up to three years. The power will be wheeled by the investor-owned utilities as indicated in the exhibit. The basis for EDPAB's recommendations is also included in the exhibit.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the allocations of power under the Power for Jobs program to the companies listed in Exhibit '4-A'.

"The Executive Vice President, Secretary and General Counsel, the Senior Vice President – Marketing, Economic Development and Supply Planning, the Vice President – Major Account Marketing and Economic Development and I concur in the recommendation."

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve an aggregate 12.310 megawatts ("MW") of allocations of Power for Jobs ("PFJ") power to the companies listed in Exhibit "4-A";

NOW THEREFORE BE IT RESOLVED That to implement such Economic Development Power Allocation Board ("EDPAB") recommendations, the Authority hereby approves allocations of PFJ power to the companies listed in Exhibit "4-A" (the "Customers"), as submitted to this meeting, and that the Authority finds that such allocations are in all respects reasonable, consistent with the requirements of the PFJ program, and in the public interest; and be it further

RESOLVED, That a total of 12.310 MW of power purchased by the Authority for PFJ be sold to the utilities that serve such Customers for resale to them for a period of up to three years under the terms of both the Authority's PFJ sale for resale contracts with the utilities and separate allocation contracts between the Authority and such Customers; and be it further

RESOLVED, That the Chairman the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel, certificates and other documents to effectuate the foregoing resolutions.

5. Quarterly Review of PFJ Employment Commitments

The President and Chief Executive Officer submitted the following report:

SUMMARY

"At their meeting of January 28, 2003, the Trustees approved a one year extension to the moratorium against taking enforcement action against customers when their actual employment levels fall short of their agreed-upon employment commitments. Customers are having difficulty meeting their commitments as a result of the national economic downturn. The Trustees approved the moratorium extension retroactive to January 1, 2003. As a result, the following discussion of PFJ ('PFJ') customers is for informational purposes only. A summary of all contracts discussed in this memorandum is provided as Exhibit '5-A'.

BACKGROUND

"All of the PFJ contracts contain a customer commitment to retain or add a specific number of jobs. If the actual job level falls below 90% of that commitment, the Authority may reduce that customer's power allocation proportionately.

"In order to ensure compliance with agreed-upon job commitments, Authority staff initiates a review of all PFJ power allocations that have an 'anniversary date' within the quarter being reported. This quarterly review covers companies that began receiving power during the 3rd Quarter of 1998, 1999, 2000 and 2001. The Authority had 41 customers with 44 contracts first receiving power in the 3rd Quarter of 1998, 167 customers with 172 contracts first receiving power in the 3rd Quarter of 1999, 10 customers with 11 contracts first receiving power in the 3rd Quarter of 2000 and 32 customers with 32 contracts first receiving power in the 3rd Quarter of 2001.

DISCUSSION

"Staff reviewed a total of 250 customers with 259 contracts. This initial review resulted in a detailed examination of 69 contracts with 69 customers that were below the 90% job commitment threshold.

"In addition, there were 24 customers that did not report: eight customers closed, two customers relinquished power, five customers did not renew for Phase 5, and nine LIPA territory customers were released from the program. These 24 customers had a total of 9.597 MW allocated and 3,496 jobs committed.

"The 259 contracts reviewed represent overall power allocations of 147.297 MW and total employment commitments of 92,585 jobs. In the aggregate, these customers reported actual employment of 92,691 positions, which represents some 100.11% of the total job commitments for PFJ customers reporting on their anniversary dates. Notwithstanding, there are 69 customers whose actual job levels are below the minimum threshold.

Section I.

Customers Reporting Closed or Relinquished Allocations

Buffalo Paperboard Corp., Lockport, Niagara County
Allocation: 750 kW of PFJ Power
Jobs Commitment: 98 jobs; **Phase 5 – 81 jobs, 750 kW**
Background: Buffalo Paperboard Corp. purchased the mill from Domtar Corp. in 1992 and manufactures paper for gypsum dry wall from recycled fibers. The loss of its major customer, Georgia-Pacific, in September 2000 deeply negatively affected the mill. For the past year, Buffalo Paperboard Corp. averaged 68.42 jobs, i.e., 69.81% of its contractual commitment. The company had added alternative paper products to expand its flexibility and attempted to gain new customers, but ultimately determined that they had to close the mill. The mill closed at the end of March 2003.

<u>Tanagraphics, Inc.</u>, New York, New York County
Allocation: 750 kW of PFJ Power
Jobs Commitment: 283 base jobs and 6 created jobs by the end of third year
Background: Founded in 1968, Tanagraphics, Inc., is the largest commercial printer in NYC. The company's printing capabilities include typesetting, pre-press, image assembly along with multi-color sheet fed printing, binding and mailing functions. It also provides webpage creation and integration services. For the past year, Tanagraphics, Inc. averaged 239.00 jobs; i.e., 84.45% of its commitment. Tanagraphics is dropping out of the PFJ program to partake in a NYCPUS program.

Section II.

<u>Allocations to Continue with No Change</u>

<u>Bedford Stuyvesant Restoration Corporation</u>, Brooklyn, Kings County
Allocation: 150 kW of PFJ Power
Jobs Commitment: 70 jobs; **Phase 5**
Background: The Bedford Stuyvesant Restoration Corporation ('BSRC'), a not-for-profit organization, has been operating for over 32 years. Its purpose is to serve as a catalyst to improve the quality of life in Bedford Stuyvesant. The BSRC provides youth education programs including computer training, a computing center for the community, as well as loan and technical assistance for small businesses. For the past year, the BSRC averaged 45.00 jobs, i.e., 64.29% of its contractual commitment. The BSRC had organizational restructuring this past year in which twelve employees left the company both through workforce reduction and attrition. The employment level is now stabilized.

<u>Blue Ridge Farms, Inc.</u>, Brooklyn, Kings County
Allocation: 1000 kW of PFJ Power
Jobs Commitment: 552 base jobs and 50 created jobs by the end of third year
Background: Blue Ridge Farms, Inc. ('Blue Ridge'), a family owned business since1947, manufactures and packs 1000 different food products. It is one of the largest and most modern food manufacturing plants in the world. Blue Ridge had many customers whose businesses were ruined by September 11th, which created a significant drop in sales. Business is only starting to come back now and they do not believe they will be back to normal until next year. For the past year, Blue Ridge averaged 458.92 jobs; i.e., 83.14% of its commitment.

<u>C & H Plastics, Inc.</u>, Waterville, Oneida County
Allocation: 150 kW of PFJ Power
Jobs Commitment: 32 jobs
Background: C & H Plastics, Inc. ('C & H') is a custom injection molding family-owned company since 1970. C & H manufactures plastic products for other companies. The economic slowdown has deeply affected business such that only 15% of the plant capacity is being utilized. For the past year, C & H Plastics, Inc. averaged 27.75 jobs; i.e., 86.72% of its commitment. The company has taken many measures to increase business: it upgraded equipment and purchased new equipment in order to expand its material processing capabilities, especially to attract business from the medical field. Additionally, it has implemented a program to upgrade sales skills.

<u>Carville National Leather Corp.</u>, Johnstown, Fulton County
Allocation: 250 kW of PFJ Power
Jobs Commitment: 56 jobs;
Background: In business since 1967, Carville National Leather Corp. does coloring and finishing of cowhide leather for the upholstery, shoe, handbag and garment leather trades. For the past year, Carville National Corp. averaged 47.67 jobs; i.e., 85.12% of its commitment. However, the company met 100.00% of its commitment in the last quarter reported.

<u>Children's Museum of Manhattan</u>, New York, New York County
Allocation: 110 kW of PFJ Power
Jobs Commitment: 92 jobs; **Phase 5**
Background: Operating 361 days a year, The Children's Museum of Manhattan provides educational programs and exhibits for families in NYC. There are six floors of exhibition space. The interactive exhibits encourage literacy,

science learning and health awareness. There are over 250,000 visitors with many of them coming from the 12,000 school groups visiting each year. The museum also provides shelter and job training for teen mothers and other at-risk teens. For the past year, Children's Museum of Manhattan averaged 82.17 jobs; i.e., 89.31% of its commitment. September 11th hurt the museum through government cut backs and reduced tourism but PFJ helped reduce costs such that no lay-offs occurred and allows the museum to continue to keep the employment level stable. The museum is less than one job short of its commitment.

Codino's Italian Foods, Inc., Scotia, Schenectady County
Allocation: 150 kW of PFJ Power
Jobs Commitment: 45 jobs; **Phase 5 – 34 jobs, 150 kW**
Background: Founded over forty years ago, Codino's Italian Foods, Inc. ('Codino's'), manufactures frozen pasta, including ravioli, manicotti, stuffed shells and a Codino's invention – stuffed rigatoni. The company serves retail, food service and institutional businesses in the East and Midwest. For the past year, Codino's averaged 24.75 jobs; i.e., 55.00% of its commitment. September 11th hurt their business badly as a large part of the business goes to the airlines and cruise ships. One large institutional customer decided to manufacture its own products and stopped purchasing from Codino's and another large customer went bankrupt. Codino's reached its low point and now are coming back as it invested in development of a new product line of appetizers, as well as paid slotting charges in order to have better shelf positioning in supermarkets. It anticipates that these measures will create new business such that it will meet its commitment next year.

Crucible Specialty Metals Inc., Syracuse, Onondaga County
Allocation: 4000 kW of PFJ Power
Jobs Commitment: 875 jobs;
Background: Crucible Specialty Metals, Inc. ('Crucible') has been in business since 1876 and is employee-owned. Crucible manufactures 98% of the domestic auto industry exhaust valve steel requirements and 80% of the powdered metals used in the US. For the past year, Crucible averaged 671.50 jobs; i.e., 76.74% of its commitment. The company's business has been hurt by the economic recession that has impacted the specialty steel industry since May 2001.

CWR Manufacturing Co., Syracuse, Onondaga County
Allocation: 300 kW of PFJ Power
Jobs Commitment: 98 jobs; **Phase 5 – 68 jobs, 200 kW**
Background: CWR Manufacturing Co. ('CWR'), a family owned business founded in 1959, manufactures high quality cold formed metal fasteners for light and heavy industry. For the past year, CWR averaged 68.83 jobs; i.e., 70.24% of its commitment. Poor economic conditions resulted in a reduction of employment. The company uses the NYS Shared Work Program, a voluntary program which allows a company to reduce its employees' hours temporarily in response to temporary difficulties, rather than laying those employees off; they receive partial unemployment benefits to supplement their reduced income. CWR expects to see improvement in the third quarter of this year, allowing it to stop the work reduction and actually bring in new employees. CWR is at 101.22% of its Phase 5 employment commitment.

CWS - Chenango County Chapter NYSARC, Norwich, Chenango County
Allocation: 150 kW of PFJ Power
Jobs Commitment: 170 jobs;
Background: CWS - Chenango County Chapter NYSARC ('CWS') provides handicapped individuals with vocational rehabilitation case management, placement services and work training. CWS also provides employment opportunities for non-handicapped long-term unemployed people. For the past year, CWS averaged 140.83 jobs, i.e., 82.84% of its contractual commitment. While the economic difficulties of 2002 negatively impacted the employment level of CWS, there has been a need to increase its workforce beginning with the second quarter 2003.

Deutsch Relays, Inc., East Northport, Suffolk County
Allocation: 400 kW of PFJ Power
Jobs Commitment: 182 jobs;
Background: Deutsch Relays, Inc. ('Deutsch') is a manufacturer of electro-mechanical switches for high reliability relay. A downturn in orders required a lowering of the employment level. For the past year, Deutsch Relays, Inc.

averaged 140.92 jobs; i.e., 77.43% of its commitment. Deutsch foresees the employment level to remain stable for at least a year.

Display Producers, Inc., Bronx, Bronx County
Allocation: 375 kW of PFJ Power
Jobs Commitment: 395 jobs;
Background: Display Producers, Inc. ('DPI') was founded in 1964. The company manufactures and assembles display showcases such as plastic cosmetics displays for department stores. The shortfall in committed job numbers is due to the nature of the work: most of the jobs are minimum wage assembly line positions, with high turnover. DPI is always actively seeking employees. For the past year, DPI averaged 326.92 jobs, i.e., 82.76% of its contractual commitment. For the last seven months of the reporting period, the company averaged 417.14 jobs, i.e., 105.61% of its employment commitment

Diversified Controls & Systems, Inc., East Aurora, Erie County
Allocation: 50 kW of PFJ Power
Jobs Commitment: 23 jobs; **Phase 5 – 14 jobs, 25 kW**
Background: Diversified Controls & Systems, Inc. ('Diversified') founded in 1977, specializes in customized electrical and pneumatic process controls, power supplies, electrical enclosures and custom metal fabrication. The company believes it hit bottom in 2002 and has stabilized. For the past year, Diversified averaged 15.00 jobs, i.e., 57.69% of its contractual commitment. The company is optimistic that, in six to nine months, it will have a significant increase in business. Diversified's employment level is at 107.14% of its Phase 5 commitment.

Dontis Produce Co., Brooklyn, Kings County
Allocation: 60 kW of PFJ Power
Jobs Commitment: 9 jobs;
Background: In business over forty years, Dontis Produce Co. ('Dontis'), stores, cuts, smokes, freeze packages and distributes beef, pork, poultry and produce. For the past year, Dontis averaged 7.00 jobs; i.e., 77.78% of its commitment. Dontis is the only produce company in Brooklyn. Currently, the company is only one job short of its employment commitment.

Dupli Envelopes & Graphics Corp., Syracuse, Onondaga County
Allocation: 250 kW of PFJ Power
Jobs Commitment: 125 jobs;
Background: In business since 1980, Dupli Envelopes & Graphic Corp. ('Dupli') makes high quality printed envelopes. Additionally, the company prints letterhead, four-color business cards and direct mail and response products. All together, Dupli makes over 25 million printed items per week. For the past year, Dupli averaged 109.33 jobs; i.e., 87.47% of its commitment. Dupli is adding employees currently and expects to easily meet its commitment in 2003.

Eastman Machine Company, Buffalo, Erie County
Allocation: 400 kW of PFJ Power
Jobs Commitment: 182 jobs; **Phase 5 – 136 jobs, 300 kW**
Background: Eastman Machine Company, a family owned business since 1892, manufactures industrial textile cutting and spreading equipment. Their products range from computer controlled cutting systems to hand held shears. For the past year, Eastman Machine Company averaged 154.17 jobs; i.e., 83.79% of its commitment. The company sells a lot of its products in Hong Kong and has seen a slowdown business there. Employment contracted since the reporting period but it is stable at 130 jobs, i.e., 95.59% of its Phase 5 commitment.

Emerson Power Transmission, Corp., Ithaca, Tompkins County
Allocation: 1400 kW of PFJ Power
Jobs Commitment: 473 jobs
Background: Emerson Power Transmission Corp. ('EPT') was formed in 1987, although the factory itself has been in business since 1880. EPT designs and manufactures products for the automotive and power transmission industries including, industrial chains, roller bearings and clutches. For the past year, EPT averaged 411.75 jobs, i.e., 87.05% of its contractual commitment. The economic slump of the past year negatively affected the plant in a reduction of direct sales to Original Equipment Manufacturers ('O.E.M.') and its distributor business. The

relocation of its Rollway operation is underway with the equipment fully transferred and production just starting. The job commitment will be met during the third quarter of 2003.

F. M. Howell & Co., Chemung, Elmira County
Allocation: 1,020 kW of PFJ Power
Jobs Commitment: 304 base jobs and 4 created jobs by the end of third year
Background: For the past year, F. M. Howell & Co. ('F. M. Howell') averaged 271.08 jobs; i.e., 89.17% of its commitment. The company's primary business segment, folding cartons, grew by fifteen jobs this year and continues to have growth. However, two other segments, Contract Packaging and Plastics, lost business this past year. In response, the company reduced the Plastics division's reliance on Corning as a customer and has added thirteen new customers. F.M Howell is currently having significant growth in the Plastics division while the Contract Packaging division is expected to remain stable.

Fashion Tanning Co., Inc., Gloversville, Fulton County
Allocation: 400 kW of PFJ Power
Jobs Commitment: 42 jobs; **Phase 5 – 22 jobs, 200 kW**
Background: Fashion Tanning Co., Inc. is a family-owned business that does contract leather finishing. Business has been hurt by the national recession. For the past year Fashion Tanning Co., Inc. averaged 22.75 jobs; i.e., 54.17% of its commitment. The company is meeting 103.41% of its Phase 5 employment commitment

Fibron Products, Inc., Buffalo, Erie County
Allocation: 250 kW of PFJ Power
Jobs Commitment: 73 jobs;
Background: Fibron Products, Inc. ('Fibron') was established in 1949. For the past year, Fibron averaged 35.58 jobs; i.e., 48.74% of its commitment. The company had a major downsizing and is now focusing on its core business – filling orders of existing products but no new product designs. Fibron is working with a major customer to produce a special product in which that customer is expected to help it invest in the new equipment necessary to make this product. Provided that the work with this customer goes forward, the company expects a substantial increase in employment.

Hardinge Inc., Elmira, Chemung County
Allocation: 2000 kW of PFJ Power
Jobs Commitment: 950 jobs; **Phase 5 – 554 jobs, 1200 kW**
Background: Hardinge Inc. ('Hardinge') established in 1890 and doing business in New York State since 1925 is a leading manufacturer of machine tools to the world. The company design, manufacture and sell metal cutting machinery and related tooling and accessories of the highest precision and reliability available. For the past year, Hardinge averaged 629.08 jobs; i.e., 66.23% of its commitment. Hardinge is currently meeting its Phase 5 commitment at 113.55%.

Harmac Medical Products, Inc., Buffalo, Erie County
Allocation: 650 kW of PFJ Power
Jobs Commitment: 420 jobs; **Phase 5 – 252 jobs, 385 kW**
Background: Harmac Medical Products, Inc. ('Harmac'), in business since 1981, designs and manufactures medical products, molded components and cardiovascular catheters - specifically to the requirements of its worldwide customers. In spring 2001, the company lost a major customer and they have been aggressively trying to replace the lost sales. This resulted in the first reduction of the workforce in the company's history. For the past year, Harmac averaged 249.50 jobs, i.e., 58.02% of its original commitment. However, the company is at 99.01% of its Phase 5 commitment.

HFW Industries, Inc., Buffalo, Erie County
Allocation: 250 kW of PFJ Power
Jobs Commitment: 62 jobs;
Background: Founded in 1950, HFW Industries, Inc. ('HWF') manufactures industrial equipment that applies hard facing alloys and ceramics to machines for abrasion wear, heat and corrosion resistance. For the past year, HFW averaged 55.25 jobs; i.e., 89.11% of its commitment, less than one job short of the commitment. September 11th

negatively impacted business but the company has brought back some of the laid-off employees and is currently meeting the employment commitment.

IEC Electronics Corp., Newark, Wayne County
Allocation: 1000 kW of PFJ Power
Jobs Commitment: 700 jobs
Background: IEC Electronics Corp. ('IEC'), in business for over 35 years, manufactures electronic printed circuit boards, serving computer and telecommunications companies. For the past year IEC averaged 439.83 jobs, i.e., 62.83% of its contractual commitment. Due to tough economic times IEC had to reduce its workforce to remain competitive. The company lost several key customers to overseas competition, which is a constant pressure. In response, IEC completed a reorganization that reduced overhead, implemented lean manufacturing programs, made changes to corporate financing to create a growth environment and is working to develop alliances with suppliers to reduce costs and improve quality.

Image Group, Inc., New York, New York County
Allocation: 1,000 kW of PFJ Power
Jobs Commitment: 347 base jobs and 28 created jobs by the end of third year
Background: Image Group, Inc. is the largest tele-production service provider in NYC. The company's services include eight broadcast television studios for live and taped programs, twenty-four digital and non-linear editing suites, film-to-tape transfer, digital audio facilities, and visual effects design and production. For the past year, Image Group, Inc. averaged 299.58 jobs; i.e., 86.34% of its commitment. The company expects business to pick up as the economic climate improves.

Inficon Inc., East Syracuse, Onondaga County
Allocation: 500 kW of PFJ Power
Jobs Commitment: 263 jobs;
Background: Inficon Inc. ('Inficon'), established in 1969, manufactures thin film controllers and residue gas analyzers for the semiconductor, optical and other vacuum process industries, as well as halogen leak detectors for the heating, A/C, and refrigeration industries. For the past year, Inficon averaged 223.25 jobs, i.e., 84.89% of its contractual commitment. The company feels that business will improve when the economy recovers.

K & S Children's Wear Inc., Brooklyn, Kings County
Allocation: 500 kW of PFJ Power
Jobs Commitment: 250 jobs
Background: K & S Children's Wear Inc., a family-owned business incorporated in 1974, manufactures sweaters and other children's wear. The entire process is done in-house from dying the yarn to finishing and packaging the garments. For the past year, K & S Children's Wear Inc. averaged 193.58 jobs; i.e., 77.43% of its commitment. Business has been off as a result of the national recession.

Kaz Inc., Hudson, Columbia County
Allocation: 400 kW of PFJ Power
Jobs Commitment: 450 jobs
Background: Founded in 1926 by the inventor of the electric vaporizer, Kaz Inc. ('Kaz') manufactures electric vaporizers, humidifiers, heating pads and steam inhalers. Kaz's customers are drug store chains, mass merchandisers, drug wholesalers and catalog showrooms. For the past year, Kaz averaged 350.75 jobs; i.e., 77.94% of its commitment. Two factors led to a significant lay-off in December 2001, the economic downturn reduced consumer demand and the warmest winter in 180 years reduced consumer demand for its health products. However, the company is growing again, with many workers rehired, and it expects to meet its commitment this year.

Keystone Corporation, Buffalo, Erie County
Allocation: 450 kW of PFJ Power
Jobs Commitment: 62 jobs
Background: Keystone Corporation ('Keystone') is a 75-year-old family-owned business that began chrome-plating bumpers for Pierce-Arrow automobiles. The company has since expanded to over twenty different precious metal finishing products with electro-deposited and nonelectro-deposited coatings. For the past year, Keystone averaged 42.92 jobs; i.e., 69.22% of its commitment. Currently, the company is still at 42 jobs. Keystone is holding

steady in tough economic times. Its metal finishing and plating business is steady and poised for slight growth as regional machine shop production is starting to pick up. Telecom is a big customer on the electronics side of the business and inventories are finally clearing out, leaving room to ramp up business again. Keystone believes the company will be meeting its commitment by the end of the year.

Kilian Manufacturing Corporation, Syracuse, Onondaga County
Allocation: 400 kW of PFJ Power
Jobs Commitment: 345 jobs
Background: Founded in 1920, Kilian Manufacturing Corporation ('Kilian') manufactures precision-machined unground ball bearings for the automotive industry and furniture business. For the past year Kilian Manufacturing Corporation averaged 265.83 jobs; i.e., 77.05% of its commitment. The American bearing industry has been hit hard by Chinese competition. Currently, they are lobbying with the industry's professional trade organization to lobby the Federal government to impose dumping duties on the Chinese manufactured bearings. Kilian is maintaining its employment level but hopes that it will go up pending federal action.

King Solomon Food, Inc., Brooklyn, Kings County
Allocation: 100 kW of PFJ Power
Jobs Commitment: 41 jobs; **Phase 5 – 28 jobs, 100 kW**
Background: Over 100 years in business, King Solomon Food, Inc. distributes fresh and frozen food throughout the tri-state area but especially NYC. They cut, package and ship fresh and frozen beef, pork, and poultry. For the past year, King Solomon Food, Inc. averaged 27.50 jobs; i.e., 67.07% of its commitment. The company lost customers due to September 11th and had to lay-off employees. However, King Solomon was at 98.21% of its Phase 5 commitment.

Lion Brand Inc., Hudson, Columbia County
Allocation: 500 kW of PFJ Power
Jobs Commitment: 237 jobs
Background: Lion Brand Inc., founded in 1946, manufactures restaurant seating, bar stools, counter and restaurant equipment and supplies. The company entered Chapter 11 in January 2001. In January 2003, LB Furniture Industries, LLC purchased Lion Brand's assets. For the past year, Lion Brand Inc. averaged 189.08 jobs, i.e., 79.78% of its contractual commitment. LB Furniture rehired 151 Lion Brand employees and as conditions improve they expect to add to this.

Manth-Brownell, Inc., Kirkville, Madison County
Allocation: 700 kW of PFJ Power
Jobs Commitment: 259 jobs; **Phase 5 – 192 jobs, 700 kW**
Background: In business over fifty years, Manth-Brownell, Inc. ('Manth') is one of the largest manufacturers of precision-turned parts. These parts are for various industries including electronics, automotive, communications, sporting goods and medical equipment. The company employs highly skilled labor. For the past year, Manth-Brownell, Inc. averaged 171.58 jobs; i.e., 66.25% of its commitment. During the reporting period the company, as well as the industry as a whole, experienced a business contraction of thirty five percent. Competition from China eroded its customer base. However, the company worked hard to replace those lost customers and has doubled its customer base. This has resulted in a ten percent increase in business in the second half of 2002. Currently, Manth has increased its employment level to 185 jobs and foresees hiring several new employees this summer as the telecommunications industry slowly recovers. The company meets its Phase 5 employment commitment with 185 jobs, i.e., 96.35%.

Meidi-Ya, Inc., Brooklyn, Kings County
Allocation: 25 kW of PFJ Power
Jobs Commitment: 3 jobs; **Phase 5 – 3 jobs, 25 kW**
Background: Meidi-Ya, Inc., founded in Japan in 1885, opened a New York office in 1987. The company stores, cuts, smokes, packages and ships beef, pork, poultry and produce back to Japan. For the past year, Meidi-Ya, Inc. averaged 2.00 jobs, i.e., 66.67% of its contractual commitment - the equivalent of less than one job short of its commitment.

Meloon Foundries, Inc., Syracuse, Onondaga County
Allocation: 350 kW of PFJ Power
Jobs Commitment: 57 jobs
Background: Meloon Foundries, Inc. ('Meloon'), a family-owned business founded in 1939, is a non-ferrous sand casting foundry. Meloon casts aluminum, brass and bronze parts for over 100 customers, which are mostly located in NYS. While the company has not lost its customer base, the frequency and volume of orders have been greatly reduced. Over the past two years, the foundry industry contracted 60%. For the past year, Meloon Foundries, Inc. averaged 45.08 jobs, i.e., 79.09% of its contractual commitment. If the economy improves, Meloon foresees hiring ten new people.

Mercury Aircraft Inc., Hammondsport, Steuben County
Allocation: 1,550 kW of PFJ Power
Jobs Commitment: 750 jobs
Background: Mercury Aircraft Inc., a family-owned business, began manufacturing airplanes in 1920. The company is the oldest aircraft company in New York. In 1933 Mercury switched from manufacturing complete planes to manufacturing sub-assemblies, such as gas and oil tanks, fins and ailerons. The company also manufactures light gauge sheet metal components for business machines. For the past year, Mercury Aircraft Inc. averaged 638.67 jobs; i.e., 85.16% of its commitment. The company expects business to pick up as the economy recovers.

Mill Services, Inc., Cobleskill, Schoharie County
Allocation: 300 kW of PFJ Power
Jobs Commitment: 53 jobs
Background: Mill Services, Inc. formed in 1997 is a full service mill shop manufacturing finger jointed boards, moldings, casings and jambs. The company is dependent on the housing construction industry, which is slow in winter and strong in the summer. Poor economic conditions forced the mill to run on reduced workweeks. For the past year, Mill Services, Inc. averaged 47.00 jobs, 88.68% of its commitment. The company expects a very busy spring and summer, which will increase employment and bring it into compliance.

Milward Alloys, Lockport, Niagara County
Allocation: 600 kW of PFJ Power
Jobs Commitment: 60 jobs; **Phase 5 – 45 jobs, 600 kW**
Background: Milward Alloys ('Milward'), a family-owned business founded in 1948, manufactures non-ferrous metal master alloys used in the aluminum and copper producing industries. The company's customers make aluminum and copper based products that require alloying material to make adjustments to their products' properties and performance characteristics. For the past year, Milward averaged 50.83 jobs; i.e., 84.72% of its commitment. Milward is at 112.96% of its Phase 5 employment commitment.

Morgood Tools Inc., Rochester, Monroe County
Allocation: 200 kW of PFJ Power
Jobs Commitment: 69 jobs
Background: Morgood Tools, Inc. is a privately held company in business since1945 and manufactures cutting tools for the metal cutting and precision machining industries. For the past year, Morgood Tools Inc. averaged 61.33 jobs; i.e., 88.89% of its commitment. Poor economic conditions kept the company from meeting its commitment but it is holding steady and is less than one job short of the commitment.

Newcut, Inc., Newark, Wayne County
Allocation: 150 kW of PFJ Power
Jobs Commitment: 65 jobs
Background: Founded in 1970, Newcut, Inc. ('Newcut') is a photochemical machining house. For the past year Newcut, Inc. averaged 26.42 jobs; i.e., 40.64% of its commitment. The economic slowdown made it unfeasible for the company to bring on a second shift and purchase more machines, which would have enabled it to hire the 30 new people. Newcut did purchase one new titanium-etching machine though that has helped business a lot. Currently, the company has seven unfilled positions, which if filled would bring it to 51.42% of its commitment. With some economic recovery, Newcut expects to increase its workforce.

Niagara Gear Corp., Buffalo, Erie County
Allocation: 100 kW of PFJ Power
Jobs Commitment: 41 jobs
Background: Niagara Gear Corporation ('Niagara Gear'), in business over 40 years, is a contract manufacturer specializing in precision ground spur, helical and pump gears. For the past year Niagara Gear averaged 34.00 jobs; i.e., 82.93% of its commitment. Niagara Gear mainly has large US manufacturing companies as customers, which have suffered with the economic downturn and, in turn, reduced orders. The company not only anticipates a general turnaround with its customers bringing in increased orders but also is in the process of securing new orders from new customers. Niagara Gear expects to meet its commitment this year.

Orazio & Sons Meat Co., Brooklyn, Kings County
Allocation: 25 kW of PFJ Power
Jobs Commitment: 6 jobs
Background: Orazio & Sons Meat Co., in business over forty years, is a wholesale meat plant with its main product being beef flanks. The company processes whole flanks and some ground beef. For the past year, Orazio & Sons Meat Co. averaged 4.25 jobs; i.e., 70.83% of its commitment. The company is just one job short of its commitment.

Orion Bus Industries, Oriskany, Oneida County
Allocation: 300 kW of PFJ Power
Jobs Commitment: 644 jobs
Background: Orion Bus Industries ('Orion'), founded in 1982, manufactures state-of-the-art transit buses. Its customers include NYC Transit, Washington Metropolitan Area Transit Association and The Capital District Transit Association in Albany. During 2001, the company launched a new product, which had delays in it, resulting in lay-offs. However, the new line is fully underway and employment is ramping up. For the past year, Orion averaged 395.25 jobs, i.e., 61.37% of its contractual commitment. Currently, Orion is now at 560 jobs, i.e., 86.96% of its commitment and growing and should meet the contractual commitment this year.

Pearl Leather Finishers, Inc., Johnstown, Fulton County
Allocation: 500 kW of PFJ Power
Jobs Commitment: 145 jobs
Background: Formed in 1978, Pearl Leather Finishers, Inc. is a contract leather finisher with products ranging from handbags, softballs and sneakers to automotive components. For the past year, Pearl Leather Finishers, Inc. averaged 107.92 jobs; i.e., 74.43% of its commitment. Business has been hurt by the national economic recession.

Pivot Punch Corporation, Lockport, Niagara County
Allocation: 300 kW of PFJ Power
Jobs Commitment: 85 jobs
Background: Pivot Punch Corporation ('Pivot'), a family-owned business, founded in 1961, manufactures punches, miniature punches, die buttons, stripper guides, retainers, quills and accessories in ten different point shapes. The company's forging and treating processes have made it a leader in the punch industry. For the past year, Pivot averaged 72.50 jobs; i.e., 85.29% of its commitment. The employment level has remained steady. Orders are slightly up, which they are using overtime to meet the demand and plan to do so until the economy really starts to recover. Pivot has put a lot of effort into sales in the Mexican market, which it believes will produce enough demand such that employment should rise in the fall.

Pork Packers Inc., Brooklyn, Kings County
Allocation: 75 kW of PFJ Power
Jobs Commitment: 10 jobs
Background: Pork Packers Inc. is a wholesale distribution meat company specializing in fresh cut pork. The company also stores, cuts, smokes and packages beef, poultry and produce. For the past year, Pork Packers Inc. averaged 7.17 jobs, i.e., 71.70% of its contractual commitment.

Purolator Products Co., Elmira, Chemung County
Allocation: 1000 kW of PFJ Power
Jobs Commitment: 285 jobs; **Phase 5 – 132 jobs, 450 kW**
Background: Purolator Products Co. ('Purolator'), founded in 1895, manufactures starter drive parts or assemblies for the automotive industry and electric fuel pumps. The company has been affected by the slowdown in the medium- and heavy-duty truck sector. New owners have purchased Purolator and they are aggressively trying to grow the business. For the past year, Purolator averaged 167.83 jobs, i.e., 58.89% of its contractual commitment. The company is at 127.15% of its Phase 5 commitment.

Quad Graphics, Inc., Saratoga Springs, Saratoga County
Allocation: 4000 kW of PFJ Power
Jobs Commitment: 1258 base jobs and 162 created jobs by the end of third year
Background: Quad Graphics, Inc. is the largest privately held printer in the world. The Saratoga Springs plant opened in 1985. The facility prints and assembles magazines, catalogs, coupons, and newspaper inserts. For the past year, Quad Graphics, Inc. averaged 930.75 jobs; i.e., 73.99% of its commitment. The company expects business to pick up as the economy improves.

Reader's Digest, Pleasantville, Westchester County
Allocation: 2,000 kW of PFJ Power
Jobs Commitment: 1200 jobs
Background: Reader's Digest is a global publisher and direct marketer of products that inform and entertain people of all ages and cultures. Reader's Digest has the world's largest circulation and is the most widely read magazine with forty-eight editions published in nineteen languages. For the past year, Reader's Digest averaged 1,039.08 jobs; i.e., 86.59% of its commitment. The company went through very tough times following September 11th, which forced it to restructure and reduce its staff. The employment level is stabilizing at around 940 jobs.

Rome Specialty Company, Inc., Rome, Oneida County
Allocation: 135 kW of PFJ Power
Jobs Commitment: 27 jobs; **Phase 5 – 21 jobs, 135 kW**
Background: In business over 75 years, family-owned Rome Specialty Company Inc. ('Rome Specialty'), manufactures terminal fishing tackle – swivels, snaps, split rings etc. For the past year Rome Specialty Company, Inc. averaged 20.67 jobs; i.e., 76.54% of its commitment. The company's employment level dropped commensurate with the 10% drop in sales they had over the reporting period. However, Rome Specialty purchased five new machines but it has not hired the two extra employees that would be needed to meet the increased sales and instead have current workers share responsibility for work on these machines. Rome Specialty is at 98.41% of its Phase 5 commitment.

Ruby Freeman, Inc., Brooklyn, Kings County
Allocation: 20 kW of PFJ Power
Jobs Commitment: 9 jobs
Background: In business over 50 years, Ruby Freeman, Inc. is a meat supplier/distributor to the NYC area. The company stores, cuts, smokes, packages then distributes beef, pork and poultry. For the past year, Ruby Freeman, Inc. averaged 5.00 jobs; i.e., 55.56% of its commitment.

Seneca Foods Corporation, Marion, Wayne County
Allocation: 1,100 kW of PFJ Power
Jobs Commitment: 300 jobs; **Phase 5 – 246 jobs, 1,100 kW**
Background: Seneca Foods Corporation's plant in Marion processes canned and frozen vegetables. These food products are packed under their own brands, as well as under private labels. For the past year, Seneca Foods Corporation averaged 223.92 jobs; i.e., 74.64% of its commitment. The plant is a seasonal processing operation with a high seasonal workforce in the pack months. The Seneca corporate office was moved to the Marion location, which resulted in the addition of about fifty jobs there. Seneca Foods meets its Phase 5 employment commitment at 91.02%.

Sentry Metal Blast, Inc., Niagara Falls, Niagara County
Allocation: 250 kW of PFJ Power
Jobs Commitment: 50 jobs; **Phase 5 – 41 jobs, 250 kW**
Background: Sentry Metal Blast, Inc. ('Sentry') was founded in 1971. Sentry's primary business is metal blasting and industrial coating but it is also involved in tank and vessel fabrication. The company broadened its customer base but the resultant workload produced has been very small. For the past year, Sentry averaged 22.42 jobs, i.e., 44.83% of its contractual commitment. The company has purchased new equipment and has been very aggressive in finding new customers, with several large new projects coming up in a few months, which should increase employment.

Sierra Technologies, Inc., Buffalo, Erie County
Allocation: 600 kW of PFJ Power
Jobs Commitment: 332 jobs
Background: Sierra Technologies, Inc. ('Sierra') was founded in 1957, and has had several parent companies. Sierra is a defense contractor that designs and develops high quality products that integrate leading edge electronics systems. Though the aerospace and defense industry is very competitive, the company has basically maintained its employment level. For the past year, Sierra averaged 271.75 jobs, i.e., 81.85% of its contractual commitment. The company has grown since reporting and is currently at 286 jobs, i.e., 88.82% of its Phase 5 commitment.

Sisters of Charity - Bayley Seton Hospital, Staten Island, Richmond County
Allocation: 800 kW of PFJ Power
Jobs Commitment: 990 jobs
Background: Sisters of Charity - Bayley Seton Hospital is a not-for-profit 198 bed community hospital providing acute care with an emergency room, operating room, rehab center, AIDS program, dialysis center, and geriatric care center. For the past year, Sisters of Charity - Bayley Seton Hospital averaged 658.17 jobs, i.e., 66.48% of its contractual commitment. The hospital went through cutbacks and restructuring this past reporting period with acute care being transferred now to St. Vincent's. However, with the refocusing of the hospital's business, other locations will be closing and moving to Bayley Seton, which should result in a rise in employment this year.

Stone Construction Equipment Inc., Honeoye, Ontario County
Allocation: 350 kW of PFJ Power
Jobs Commitment: 202 jobs; **Phase 5 – 170 jobs, 300 kW**
Background: Founded in 1967, Stone Construction Equipment Inc. became one hundred percent employee-owned in 1986. The company designs, builds and markets a broad array of light construction equipment. For the past year, Stone Construction Equipment Inc. averaged 170.25 jobs; i.e., 84.28% of its commitment. Stone Construction is at 100.15% of its Phase 5 commitment.

STS Duotek, Inc., Henrietta and Farmington, Monroe and Ontario Counties
Allocation: 75 kW of PFJ Power
Jobs Commitment: 145 jobs
Background: STS Duotek, Inc. ('STS') is a contract assembler, sterilizer, packager and testing laboratory for the medical device industry. The company provides testing to help move a device or pharmaceutical through the FDA approval process. Once a device is approved STS assembles, sterilizes and packages the device. For the past year, STS averaged 122.75 jobs; i.e., 84.66% of its commitment. The company was able to meet its 105 job base commitment but was only able to grow 17 of 40 jobs that it committed to grow and does not see any growth in the near future.

Syroco, Inc., Baldwinsville, Onondaga County
Allocation: 550 kW of PFJ Power
Jobs Commitment: 427 jobs
Background: Syroco, Inc., ('Syroco') in business since 1890, manufactures plastic lawn furniture, accessories and home décor. The purchase of Syroco by the Finnish company, Fiskars in 1999, resulted in the closing of the home decorating division in 2000. The company is working its way back slowly, as demand dictates. The long winter this year weighs down the chance for further recovery. For the past year, Syroco averaged 243.33 jobs, i.e., 56.99% of its contractual commitment.

T S Pink Corp., Oneonta, Otsego County
Allocation: 35 kW of PFJ Power
Jobs Commitment: 26 base jobs and 14 created jobs by the end of third year
Background: T S Pink Corporation, in business since 1992, manufactures high quality specialty soaps that resemble semi-precious stones. The products are called SoapRocks, PalmStones and QuarryBars. No animal ingredients are used in the soap and no animal testing was done to develop the soap. For the past year, T S Pink Corp. averaged 12.17 jobs; i.e., 46.79% of its commitment. It expects business to pick up as the economy recovers.

Taylor Made Products, Gloversville, Fulton County
Allocation: 325 kW of PFJ Power
Jobs Commitment: 204 jobs
Background: Founded in 1908, Taylor Made Products ('Taylor Made') began manufacturing boat covers, awnings and other canvass products but after WWII the boating market grew such that the business switched to providing windshields and other marine accessory products. For the past year, Taylor Made Products averaged 136.67 jobs; i.e., 66.99% of its commitment. As Taylor Made's business is manufacturing accessories for the recreational boating market, it is very dependent on consumers discretionary spending. September 11th seriously hurt its business for this reporting period as consumer discretionary spending on recreational boating plunged. However, Taylor Made has grown since then and expects to meet its job commitment this year, as the boating season looks like it will be successful.

Taylor Metal Works (Taylor Pohlman Inc.), Orchard Park, Erie County
Allocation: 800 kW of PFJ Power
Jobs Commitment: 200 jobs
Background: Founded in 1985, Taylor Pohlman Inc. ('TPI') (now Taylor Metal Works), is a contract manufacturer of aluminum castings, utilizing casting and machining processes. Taylor Metal Works serves the automotive, medical equipment, food processing and instrumentation business sectors. For the past year, Taylor Metal Works averaged 164.33 jobs; i.e., 82.17% of its commitment.

The Lawrence Ripak Company Inc., West Babylon, Suffolk County
Allocation: 500 kW of PFJ Power
Jobs Commitment: 123 jobs; **Phase 5 – 90 jobs, 500 kW**
Background: The Lawrence Ripak Company Inc., founded in 1952, provides services to the aircraft industry including magnetic particle inspection, X- ray inspection, non-destructive testing, ultrasonic inspection and several metal finishing operations. For the past year, The Lawrence Ripak Company Inc. averaged 88.92 jobs, i.e., 72.29% of its contractual commitment. The company is at 98.80% of its Phase 5 employment commitment.

The Penn Traffic Company, Syracuse, Onondaga County
Allocation: 1000 kW of PFJ Power
Jobs Commitment: 585 jobs; **Phase 5 – 468 jobs, 900 kW**
Background: The Penn Traffic Company ('Penn Traffic') is a leading food retailer in the eastern United States, operating supermarkets and a wholesale food distribution business. The Syracuse location is corporate headquarters and a perishable distribution center for frozen food, dairy, produce and meat products. In March 1999, the company filed for Chapter 11 proceedings and in June 1999, it emerged from bankruptcy. Fifty supermarkets were sold as part of the reorganization, which resulted in decreased sales and a decreased employment base. Business has stabilized. For the past year, Penn Traffic averaged 484.08 jobs, i.e., 82.75% of its contractual commitment. The company is at 103.44% of its Phase 5 commitment.

The Reliable Automatic Sprinkler Co., Mount Vernon, Westchester County
Allocation: 500 kW of PFJ Power
Jobs Commitment: 513 jobs
Background: The Reliable Automatic Sprinkler Co. ('Reliable'), in business since 1943, is a manufacturer and distributor of fire protection equipment. For the past year, Reliable averaged 450.75 jobs, i.e., 87.87% of its contractual commitment. The economic downturn adversely affected Reliable's business during the reporting period. Since then, the company added some jobs but will be proceeding slowly with new hiring until the economy improves and its business grows more.

<u>Ultra Tool & Plastics, Inc.</u>, Amherst, Erie County
Allocation: 150 kW of PFJ Power
Jobs Commitment: 463 jobs
Background: Ultra Tool & Plastics, Inc. ('Ultra'), founded in 1964, is a custom injection molding and tooling manufacturer. The company designs and produces products for the automotive, electronics, medical supplies, and sports equipment and marine equipment industries. Ultra recently filed for Chapter 11 protection. The company is up for sale, but is currently looking to hire 20 more machine operators as work is coming in from its sister plant in Rochester. For the past year, Ultra averaged 322.83 jobs, i.e., 69.73% of its contractual commitment.

<u>Universal Linen Service Co., Inc.</u>, Rome, Oneida County
Allocation: 175 kW of PFJ Power
Jobs Commitment: 71 jobs
Background: Universal Linen Service Co., Inc., founded in 1973, is a linen supply company. The company washes, dries, presses, and packages linens for nursing homes, hospitals, hotels, motels, restaurants and other smaller accounts. For the past year, Universal Linen Service Co., Inc. averaged 39.70 jobs; i.e., 55.92% of its commitment. It has been hurt by the economic recession but expects business to pick up when the economy recovers.

<u>University at Buffalo Foundation Incubator Inc.</u>, Amherst, Erie County
Allocation: 300 kW of PFJ Power
Jobs Commitment: 110 jobs
Background: The University at Buffalo Foundation Incubator, Inc. is a part of SUNY Buffalo. Its mission is to nurture the establishment of new technology-intensive, high growth entrepreneurial businesses in western New York. The focus is on product development, commercialization and manufacturing. All businesses must have a direct link to the University, either commercializing a SUNY Buffalo invention, a faculty member or alumni are founders or they involve students and faculty by providing applied learning experiences. They typically have nine to eleven start-ups that remain for two to four years. For the past year, University at Buffalo Foundation Incubator averaged 91.00 jobs; i.e., 82.73% of its commitment. During the reporting period, a few tenants relocated and a few were forced to downsize due to poor economic conditions. However, since then new tenants have come in and current tenants increased employment such that the incubator has been meeting its commitment since July 2002.

<u>W. W. Custom Clad, Inc.</u>, Canajoharie, Montgomery County
Allocation: 300 kW of PFJ Power
Jobs Commitment: 76 jobs
Background: Founded in 1975, W. W. Custom Clad, Inc., ('W. W.') is an industrial metal finisher for Original Equipment Manufacturers (O.E.M.s). The company utilizes a new solvent less coating technology called powder coating. It predominantly works with the automotive industry with an emphasis on zinc and aluminum die-castings. For the past year, W. W. averaged 53.17 jobs; i.e., 69.96% of its commitment. The automotive industry has been in a recession since April 2001. The result was the company laying-off people for the first time in its 27-year history. However, 2003 began well and it just got a new account that required the company to purchase new equipment and hire 14 new people. W. W. is optimistic that it will meet its commitment this year, as it has rebounded to be just one job short of meeting its commitment now."

Mr. Pasquale presented the highlights of staff's informational report to the Trustees.

Trustee Carey noted that staff's report showed the importance and wisdom of enacting the moratorium against enforcement actions against the Power for Jobs customers. He noted that even with the moratorium, collectively, the customers are providing jobs in excess of 100 percent of their commitments.

Chairman Ciminelli stated his concern that the national economic downturn may outlast the current moratorium and Vice Chairman McCullough stated that a hard look would need to be taken at each of the customers to see if any of them are beyond the point where allocations of low-cost power will actually lead to job creation and retention.

Exhibit “5-A”
June 24, 2003

I. CUSTOMERS REPORTING CLOSED OR RELINQUISHED ALLOCATIONS

Company	Date of Trustee Approval	Type of Power	Allocation kW	Employment Commitment	Average ‘01-‘02 Jobs	Average Annual % Achieved
Buffalo Paperboard Corp.	5/20/99	PFJ	750	98	68.42	69.81
Tanagraphics, Inc.	1/26/00	PFJ	750	283	239.00	84.45

II. ALLOCATIONS TO CONTINUE WITH NO CHANGE

Company	Date of Trustee Approval	Type of Power	Allocation kW	Employment Commitment	Average ‘01-‘02 Jobs	Average Annual % Achieved
Bedford Stuyvesant Restoration Corp.	4/27/99	PFJ	150	70	45.00	64.29
Blue Ridge Farms Inc.	6/26/01	PFJ	1000	552	458.92	83.14
C & H Plastics, Inc.	1/30/01	PFJ	150	32	27.75	86.72
Carville National Leather Corp.	3/30/99	PFJ	250	56	47.67	85.12
Children's Museum of Manhattan	6/29/99	PFJ	110	92	82.17	89.31
Codino's Italian Foods, Inc.	3/30/99	PFJ	150	45	24.75	55.00
Crucible Specialty Metals	3/30/99	PFJ	4000	875	671.50	76.74
CWR Manufacturing, Co.	3/30/99	PFJ	300	98	68.83	70.24
CWS – Chenango County Chapter NYSARC	3/30/99	PFJ	150	170	140.83	82.84
Deutsch Relays, Inc.	3/30/99	PFJ	400	182	140.92	77.43
Display Producers, Inc.	3/30/99	PFJ	375	395	326.92	82.76
Diversified Controls & Systems, Inc	6/29/99	PFJ	50	23	15.00	57.69
Dontis Produce Co.	6/29/99	PFJ	60	9	7.00	77.78
Dupli Envelopes & Graphics Corp.	9/28/98	PFJ	250	125	109.33	87.47
Eastman Machine Company	2/24/99	PFJ	400	182	154.17	83.79
Emerson Power Transmission, Corp.	4/28/98	PFJ	1400	473	411.75	87.05
F. M. Howell & Co.	3/28/00	PFJ	1020	304	271.08	89.17
Fashion Tanning Co.,Inc.	2/24/99	PFJ	400	42	22.75	54.17
Fibron Products, Inc.	4/27/99	PFJ	250	73	35.58	48.74
Hardinge Inc.	3/30/99	PFJ	2000	950	629.08	66.23
Harmac Medical Products, Inc.	3/30/99	PFJ	650	420	249.50	58.02
HFW Industries, Inc.	3/30/99	PFJ	250	62	55.25	89.11
IEC Electronics Corp.	4/28/98	PFJ	1000	700	439.83	62.83
Image Group, Inc.	4/17/01	PFJ	1000	347	299.58	86.34
K & S Children's Wear Inc.	4/27/99	PFJ	500	250	193.58	77.43
Kaz Incorporated	4/28/98	PFJ	400	450	350.75	77.94
Keystone Corporation	4/27/99	PFJ	450	62	42.92	69.22
Kilian Manufacturing Corporation	4/28/98	PFJ	400	345	265.83	77.05
King Solomon Food, Inc.	4/27/99	PFJ	100	41	27.50	67.07
Leybold Inficon, Inc.	3/30/99	PFJ	500	263	223.25	84.89
Lion Brand Incorporated	4/28/98	PFJ	500	237	189.08	79.78
Manth-Brownell, Inc.	4/27/99	PFJ	700	259	171.58	66.25
Meidi-Ya, Inc.	6/29/99	PFJ	25	3	2.00	66.67
Meloon Foundries, Inc.	3/30/99	PFJ	350	57	45.08	79.09
Mercury Aircraft Inc.	4/28/98	PFJ	1550	750	638.67	85.16
Mill Services, Inc.	4/28/98	PFJ	300	53	47.00	88.68
Milward Alloys	3/30/99	PFJ	600	60	50.83	84.72
Morgood Tools, Inc.	3/30/99	PFJ	200	69	61.33	88.89
Newcut, Inc.	6/29/99	PFJ	150	65	26.42	40.64

Exhibit "5-A"
June 24, 2003

Company	Date of Trustee Approval	Type of Power	Allocation kW	Employment Commitment	Average '01-'02 Jobs	Average Annual % Achieved
Niagara Gear Corp.	5/25/99	PFJ	100	41	34.00	82.93
Orazio & Sons Meat, Co.	6/29/99	PFJ	25	6	4.25	70.83
Orion Bus Industries	9/28/98	PFJ	300	644	395.25	61.37
Pearl Leather Finishers, Inc.	2/24/99	PFJ	500	145	107.92	74.43
Pivot Punch Corporation	4/27/99	PFJ	300	85	72.50	85.29
Pork Packers Inc.	4/27/99	PFJ	75	10	7.17	71.70
Purolator Products Co.	3/30/99	PFJ	1000	285	167.83	58.89
Quad Graphics, Inc.	4/17/01	PFJ	4000	1258	930.75	73.99
Reader's Digest	9/28/98	PFJ	2000	1200	1039.08	86.59
Rome Specialty Company, Inc.	3/30/99	PFJ	135	27	20.67	76.54
Ruby Freeman, Inc.	6/29/99	PFJ	20	9	5.00	55.56
Seneca Foods Corporation	2/24/99	PFJ	1100	300	223.92	74.64
Sentry Metal Blast, Inc.	5/25/99	PFJ	250	50	22.42	44.83
Sierra Technologies	2/24/99	PFJ	600	332	271.75	81.85
Sisters of Charity - Bayley Seton Hospital	4/28/98	PFJ	800	990	658.17	66.48
Stone Construction Equipment Inc.	4/27/99	PFJ	350	202	170.25	84.28
STS Duotek, Inc.	4/27/99	PFJ	75	145	122.75	84.66
Syroco, Inc. - A Division of Fiskars Consumer Prod	4/28/98	PFJ	550	427	243.33	56.99
T S Pink Corp.	6/26/01	PFJ	35	26	12.17	46.79
Taylor Made Products	11/24/98	PFJ	325	204	136.67	66.99
Taylor Pohlman, Inc.	5/25/99	PFJ	800	200	164.33	82.17
The Lawrence Ripak Company, Inc.	6/29/99	PFJ	500	123	88.92	72.29
The Penn Traffic Company	4/27/99	PFJ	1000	585	484.08	82.75
The Reliable Automatic Sprinkler Co	2/24/99	PFJ	500	513	450.75	87.87
Ultra Tool & Plastics , Inc.	4/27/99	PFJ	150	463	322.83	69.73
Universal Linen Service Co., Inc.	3/30/99	PFJ	175	71	39.70	55.92
University at Buffalo Foundation Incubator Inc.	3/30/99	PFJ	300	110	91.00	82.73
W. W. Custom Clad, Inc.	3/31/98	PFJ	300	76	53.17	69.96

6. Allocations of Economic Development Power

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve an additional allocation of 2,000 kW of Economic Development Power ('EDP') to Griffiss Local Development Corporation ('GLDC'), an additional allocation of 400 kW of EDP to Sysco Food Services Corporation ('Sysco'), and an initial 500 kW allocation of EDP to ICM Controls Corporation ('ICM').

BACKGROUND

"At their meeting of October 30, 2001, the Trustees approved an allocation of EDP to the GLDC for business revitalization purposes for a term of five years in support of its mission as a business incubator. In exchange, the GLDC committed to secure 1,124 non-governmental jobs at its Industrial Park ('the Park') located in Rome, New York.

"At their meeting of January 31, 1995, the Trustees approved a business expansion power allocation of 400 kW of EDP to Sysco and subsequently approved an additional business expansion allocation of 500 kW on January 30, 1996. Four-hundred and twenty jobs were committed for this power.

"At its meeting of June 24, 2003, the Economic Development Power Allocation Board ('EDPAB') recommended to the Authority an additional allocation of 2,000 kW of EDP to GLDC, 400 kW to the Sysco, and 500 kW to ICM for business expansion purposes. The power would be sold to the Niagara Mohawk Power Corporation ('NIMO') for resale to the GLDC and ICM Controls and to the New York State Electric & Gas Corporation ('NYSEG') for resale to Sysco.

DISCUSSION

"GLDC is a not-for-profit corporation that provides power at costs that promote economic development and job retention to non-governmental tenants that have located, or are planning to locate to the Griffiss Business and Technology Park ('Park') in Rome, New York. Attraction of key employers is an essential part of the mission of GLDC.

"Consistent with its mission, GLDC is now requesting an additional 2,000 kW for the purposes of serving a new customer, Commodore Aviation, Inc. ('Commodore'). Commodore is a large aircraft maintenance, repair and overhaul station provider servicing a wide range of commercial and corporate customers. Commodore provides inspections, repairs, modifications, testing, refurbishment, engineering, painting, and upgrade services for both narrow and wide-body aircraft on a 24-hour, seven day per week, basis. However, at its current out-of-state site, Commodore is limited to a hangar facility half the size of the proposed Griffiss hangar, and as a result, cannot proceed with its planned investment in new plant and equipment upgrades.

"The GLDC is competing for this company on a nationwide basis. The additional allocation of EDP to Commodore is a critical component of GLDC's effort to attract this new business to the Park. Commodore has stated that fluctuations in electric costs in New York are a significant concern. By allocating a fixed-price bulk power allocation, the Authority will allow GLDC to offer an electric rate that will not only attract this new business, but will also provide them with price certainty for their expansion plans over the next ten years. They will have access to available labor, a larger hangar, and an extensive airport left behind by the closure of Air Force activities at the Park.

"The additional allocation of 2,000 kW of EDP would create 500 jobs at a ratio of 250 jobs per megawatt. The company would save an estimated $95,000 annually over NIMO's standard rates. The proposed five-year allocation of business expansion power is supported by the Oneida County Industrial Development Agency. It is stipulated that the use of the EDP will be strictly limited to private sector business and cannot be used to serve federal or local governmental loads located within the Park.

"ICM, located in Cicero, designs and manufactures electronic controls servicing the global HVAC market. Products produced include thermostats, motor protection devices, head pressure controls, defrost controls, and time delay relays. The company started in 1984 with 15 people and annual sales of $1.2 million. Last year, ICM employed 194 regular full-time employees and achieved annual sales greater than $16 million. The company has recently decided to relocate into a larger facility to be constructed, purchased or leased either in New York State or out-of-state, instead of expanding its existing facility to accommodate its anticipated increase in demand. The company currently employs 200 people and would create 100 new jobs in exchange for the allocation of 500 kW of EDP. ICM would save an estimated $50,000 annually over NIMO's standard rates. The proposed ten-year allocation of business expansion power is supported by the Onondaga County office of Economic Development.

"Sysco, in Warners, distributes food service products to restaurants and institutional food preparers in Central New York, and is currently adding new jobs and new electrical demand in its third phase of its business expansion. This includes the construction of a new 25,000 square foot minus 10 degrees holding freezer, a new 35,000 square foot dry warehouse with equipment rooms, and a battery charging area at a total cost of $4.4 million. Incremental power needs are estimated to be 400 kW. The company plans to increase its present workforce of 500 by 100 new jobs, resulting in an incremental ratio of 250 jobs per megawatt and a total ratio of 462 jobs per megawatt. The additional allocation will save Sysco approximately $35,000 annually over NYSEG's standard rates.

"The proposed ten-year allocations of business expansion power to Sysco and ICM are both supported by the Onondaga County Office of Economic Development and the Metropolitan Development Association of Syracuse and Central New York, Inc.

"The proposed allocations have been reviewed in accordance with Part 460 of the Authority's Rules and Regulations (Procedures for Allocation of Industrial Power and Enforcement of Contracts) (21 NYCRR 460 (1983)). The Authority's standard EDP allocation agreements with each of the companies provide for reductions in an allocation in the event that employment or power usage levels are not maintained at specified levels. Reports regarding employment commitments will be submitted to the Authority as provided by Section 460.4 of the Authority's Rules and Regulations (Job and Usage Requirements) (21 NYCRR 460.4 (1988)).

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve allocations of Economic Development Power to Griffiss Local Development Corporation, ICM Controls Corporation, and the Sysco Food Services Corporation.

"The Executive Vice President, Secretary and General Counsel, the Senior Vice President – Marketing, Economic Development and Supply Planning, the Vice President – Major Account Marketing and Economic Development and I concur in the recommendations."

Mr. Pasquale presented the highlights of staff's recommendations to the Trustees.

Responding to questions from Vice Chairman McCullough, President Zeltmann and Mr. Pasquale confirmed that the allocations of Economic Development Power ("EDP") were conditioned upon the corporations in question relocating to the designated locations within New York State.

Responding to questions from Trustee DiMarco, Messrs. Vesce and Carline indicated that the Authority does not inquire about, or stipulate with respect to, EDP customers using any specified percentage of contractors from New York State, noting that Empire State Development handles such matters.

The Chairman abstained on this item due to a conflict.

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Economic Development Power Allocation Board has recommended allocations of Economic Development Power to Griffiss Local Development Corporation, ICM Controls Corporation, and Sysco Foods Corporation in the foregoing report of the President and Chief Executive Officer in the quantities listed in such exhibit; and be it further

RESOLVED, That the Authority hereby approves the allocations of Economic Development Power to Griffiss Local Development Corporation, ICM Controls Corporation, and Sysco Foods Corporation, substantially in accordance with the terms described in such memorandum; and be it further

RESOLVED, That the Chairman the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel, and certificates and other documents to effectuate the foregoing resolution.

7. <u>Temporary Transfer of Hydropower</u>

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the temporary transfer of 25,750 kW of Replacement Power ('RP') and 10,400 kW of Expansion Power ('EP') from Bethlehem Steel, Inc. ('Bethlehem Steel') to a subsidiary of International Steel Group ('ISG') of Cleveland, Ohio. ISG will commit to an employment level of 350 jobs as part of the company's acquisition of all of Bethlehem Steel's steel making and related assets.

BACKGROUND

"Bethlehem Steel began in 1922 with its purchase of the Lackawanna Steel Company in Lackawanna, New York. The company would later go on to expand and become a symbol of Western New York's economic power. At its peak during the 1940's, the plant employed 22,000 people. However, battered over the years by imports, falling steel prices, and expensive pollution controls, the company was forced to file for bankruptcy protection in October 2001.

"ISG was organized by the New York-based private equity firm, WL Ross & Co. LLC, to acquire world-class steel-making assets and, in full cooperation with the United Steelworkers of America, restructure those facilities to be internationally competitive. As the newest competitor in the global steel industry, ISG is now the fourth largest steel maker in the United States. The company operates integrated flat rolled steel plants in Cleveland and East Chicago, Indiana; a sheet mini-mill in Riverdale, Illinois; a finishing plant in Hennepin, Illinois; and a coke plant in Warren, Ohio.

DISCUSSION

"ISG has made an offer to acquire all of the steel making and related assets currently operated by Bethlehem Steel. On February 8, 2003, the Bethlehem Steel board voted to accept ISG's offer and on March 12, 2003, Bethlehem Steel signed an asset purchase agreement with ISG that includes the Galvanized Products Division and all surplus property and assets located at the Lackawanna, and Blasdell, New York sites.

"As the new owners of Bethlehem Steel's former Western New York facilities, ISG has indicated that both Authority allocations of 25,750 kW of RP and 10,400 kW of EP need to be transferred in order for the company's acquisition in Western New York to be successful.

"It is recommended that the Trustees initially approve both allocations of hydropower to ISG on a temporary 12-month basis. ISG has indicated that it will be conducting a thorough review of the site to determine the long-term viability of the plant in the near future. After its review ISG will be better positioned to commit to employment figures for the long term. After staff receives ISG's business plan, the Trustees may be requested to approve a longer-term allocation of power at a later date if the company is willing to commit to maintain or exceed the current total job commitment level of 350 associated with keeping both allocations of hydropower.

"The company has also stated that the acquisition of Bethlehem Steel is strongly supported by the Office of the Mayor of the City of Lackawanna and the United Steelworkers of America Local 2604 for the International Steel Group, Inc.

"In accordance with Paragraph 21 of Schedule A of the Expansion Power Allocation and Service Agreement between the Authority, Niagara Mohawk Power Corporation and Bethlehem Steel, Inc. and with Section 460.7 of the Authority's Rules and Regulations (Transfers of Industrial Power) (21 NYCRR 460.7 (1988)), any transfer of an Industrial power allocation from one customer to a new customer shall be specifically subject to Authority approval.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the transfer of the allocations of 25,750 kW of Replacement Power and 10,400 kW of Expansion Power to the International Steel Group subject to the conditions described herein.

"The Executive Vice President, Secretary and General Counsel, the Senior Vice President – Marketing, Economic Development and Supply Planning, the Vice President – Major Accounts Marketing and Economic Development and I concur in the recommendation."

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the temporary transfer of Bethlehem Steel, Inc's. 25,750 kW Replacement Power allocation and 10,400 kW Expansion Power allocation to the International Steel Group be, and hereby is, approved; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel, certificates and other documents to effectuate the foregoing resolution.

8. New York City Public Utility Service – Allocation of Industrial Power to Pfizer, Inc.

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the allocation of 4,400 kW of Industrial power to the New York City Public Utility Agency ('NYCPUS') for resale to Pfizer, Inc. ('Pfizer').

BACKGROUND

"The Authority has reserved a total of 94,470 kW of industrial power for sale to downstate municipal distribution agencies ('MDA's'), including NYCPUS, under Service Tariff 35. Of this amount, 61,300 kW is reserved for NYCPUS. This power is resold to industrial consumers designated by the MDA's and approved by the Authority. NYCPUS has proposed the allocation of 4,400 kW to Pfizer, Inc. from this block of power.

DISCUSSION

"Pfizer is the world's largest pharmaceutical company with over 90,000 jobs worldwide and revenues of over $32.4 billion in 2002. It is also one of the fast-growing pharmaceutical companies, with the highest research and development spending in the industry. Recently, Pfizer completed its acquisition of Pharmacia in a stock-for-stock transaction valued at $60 billion. The newly-combined company will employ approximately 125,000 worldwide.

"The worldwide headquarters of Pfizer is a campus of buildings, totaling approximately two million square feet, at 42nd Street and Third Avenue in New York City ('NYC'). With the Pharmacia acquisition, Pfizer has considered consolidating its workforce and placing future growth into the approximately 10 million square feet of space that Pharmacia currently controls. The majority of this space is in New Jersey, including Pharmacia's headquarters in Peapack and facilities in Bedminster and Basking Ridge.

"In order to induce Pfizer to acquire 685 Third Avenue in NYC, retain its corporate headquarters and 5,537 existing NYC jobs, relocate/create 1,000 jobs in NYC by December 31, 2004, and grow 3,322 new jobs over a 15-year term, the New York City Industrial Development Agency ('IDA') has structured a discretionary incentive package which includes energy discounts through NYCPUS for project locations in Brooklyn. Pfizer will invest up to $560 million to purchase and renovate its 685 Third Avenue location and other facilities at its 42nd Street corporate headquarters campus. In addition, Pfizer expects to invest a total of $1 billion in New York over the next 15 years. In consideration of its commitment to the New York State economy, Pfizer is eligible to apply for grants from the Empire State Development Corporation and has been offered an incentive package worth up to $45.8 million, if it creates 4,300 new jobs by the end of the 15-year term of the agreement with the IDA. A reduction in energy costs would help Pfizer remain and expand in its present NYC locations. The proposed 15-year allocation of 4,400 kW would save the company approximately $230,000 annually over Consolidated Edison's standard rates.

"The proposed allocations have been reviewed in accordance with Part 460 of the Authority's Rules and Regulations ('Procedures for Allocation of Industrial Power and Enforcement of Contracts' (21 NYCRR 460 (1983)). Each of the contracts between the companies and NYCPUS provides for reductions in the allocation in the event that employment or power usage levels are not maintained at specified levels.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the allocation of Industrial power to Pfizer, Inc.

"The Executive Vice President, Secretary and General Counsel, the Senior Vice President – Marketing, Economic Development and Supply Planning, the Vice President – Major Account Marketing and Economic Development and I concur in the recommendations."

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Authority hereby approves an additional allocation of 4,400 kW of Industrial Power to Pfizer, Inc. substantially in accordance with the terms described in the foregoing report of the President and Chief Executive Officer; and be it further;

RESOLVED, That the Chairman the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel, certificates and other documents to effectuate the foregoing resolution.

9. Proposed Contract Amendment – Municipal Electric and Rural Electric Cooperative System Customers

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the holding of a public hearing pursuant to Section 1009 of the Power Authority Act on a proposed amendment ('2003 Amendment') to the current contracts between the Authority and its Municipal Electric and Rural Electric Cooperative system customers (attached as Exhibit '9-A').

BACKGROUND

"The Authority's current power sales agreements ('Agreements') with its 51 Municipal and Rural Cooperative Customers (hereinafter, 'Customers') became effective in 1986. The Agreements were amended in 1991 to extend the term from 2007 to the year 2013, subject to the renewal of the Authority's Niagara Power Project ('Project') license. The proposed 2003 Amendment would extend the term of each of the Agreements to September 1, 2025.

DISCUSSION

"The Customers requested that the Authority consider extension of the Agreements to September 1, 2025. Their request was based on the importance of the Project's preference power allocations to the economic vitality of their communities. Most of the Customers' wholesale electricity supply is comprised of Project power. The continued sale of Project power to the Customers is essential to their power supply plans. The Customers are the only entities in New York that qualify as public bodies and non-profit cooperatives entitled to preference power rates and priority in the allocation of Project power under the Niagara Redevelopment Act.

"Thus, it is appropriate that these entities have the assurance of continued receipt of this power under a renewed long-term contract, subject, of course, to the Authority receiving a new license from the Federal Energy Regulatory Commission ('FERC') to continue to operate the Project. The Customers share the Authority's goal of minimizing the costs and the consequent rate impacts associated with re-licensing. In consideration of securing the contract extensions, the Customers have also agreed to work closely with the Authority to implement expanded energy efficiency, energy conservation, and economic development programs for their own use and for that of their retail customers. These efforts would optimize the use of Authority-generated low-cost hydroelectric power. The Customers are also supportive of the life-extension and turbine upgrade work at the Project.

"The proposed contract extensions from their current termination date at the end of the summer capability period in 2013 through September 1, 2025, are predicated on the Authority receiving a new license for the Project from the FERC.

FISCAL INFORMATION

"The contract extensions would ensure continued revenues from sales to these 51 customers. Sales in 2003 are estimated to be $31.3 million.

RECOMMENDATION

"The Director – Electric Systems Marketing & Customer Billing recommends that the Trustees approve that the proposed contract extension of the Hydroelectric Power Agreements with the Municipal and Rural Cooperative Electric System Customers be advertised for public hearing to be held at a to be specified time and place, and that pursuant to Section 1009 of the Power Authority Act, the Secretary transmit copies of the notice of the public hearing and proposed contract extensions to the Governor and the Legislative leaders.

"The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Senior Vice President and Chief Financial Officer, the Senior Vice President – Marketing, Economic Development and Supply Planning, and the Vice President – Controller and I concur in the recommendation."

Mr. Banner presented the highlights of staff's recommendations to the Trustees.

Responding to questions from Chairman Ciminelli, Mr. Banner noted that staff is working on the specific parameters of the proposed contract extensions.

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Trustees hereby authorize the advertising of the proposed contract extensions described in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to Section 1009 of the Power Authority Act, a public hearing on such proposed contract extensions be scheduled to obtain the views of interested parties concerning the Authority's proposed action to amend the power sales agreements as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Secretary transmit copies of such proposed contract extensions to the Governor, the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Committee on Ways and Means, the President of the Senate, the Minority Leader of the Senate and the Chairman of the Senate Finance Committee, pursuant to Section 1009 of the Power Authority Act.

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel, certificates and other documents to effectuate the foregoing resolution.

10. Authorization to Enter In to Long-Term Agreements to Provide Renewable Energy in the Form of Wind Power

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the final negotiation and execution of long-term agreements with Chautauqua Windpower, LLC, a subsidiary of Jasper Energy, LLC ('Jasper'), and Windfarm Prattsburgh LLC ('Prattsburgh') to provide wind energy to the Authority commencing in 2005 and continuing through 2014. The Authority's goals with regard to the proposed purchase of wind power are to broaden its portfolio, to support economic development by promoting new sources of wind power in New York State, and to promote development of new sources of renewable power consistent with the New York State Energy Plan. This power will be part of the renewable power portfolio available to the Authority's governmental customers subject to the requirements of Executive Order 111, or to other Authority customers who desire to make renewable energy purchases.

BACKGROUND

"As part of the comprehensive array of state initiatives directed by Governor George E. Pataki to develop renewable power resources in New York State, the Authority, in December 2002, issued a Request for Proposal ('RFP') to enter into a 10- or 15-year supply contract for the purchase of up to 50 MW of wind power starting in 2005.

"Governor Pataki has proposed that New York State establish a Renewable Portfolio Standard ('RPS') which, by 2013, would ensure at least 25% of the electricity purchased in the state is generated from renewable resources. On February 19, 2003, the New York State Public Service Commission initiated a proceeding to develop such a standard. The RPS complements Governor Pataki's previous renewable power initiatives. In June 2001, the Governor issued Executive Order No. 111, which includes requirements that state agencies and authorities obtain at least 10% of their electricity from renewable sources by 2005, and 20% by 2010. The State Energy Plan approved by the New York State Energy Planning Board in June 2002 included energy policy objectives to 'increase energy diversity through greater use of energy efficiency technologies and alternative energy resources, including renewable-based energy' and specifically recommended that the Authority 'competitively solicit bids for long-term contracts for the purchase of 100 MW of electricity capacity from renewable energy resources.'

"The wind power obtained by the RFP is planned to be part of the renewable power portfolio provided by the Authority to its governmental customers, who are subject to the requirements of Executive Order 111, or to other Authority customers who desire to make renewable energy purchases.

"While the Authority has undertaken this initiative to assist the development of wind-power generation in New York State, it does not intend to encourage the development of wind-power projects solely dependent upon sales to the Authority. As a result, the RFP provides that the Authority's intent is to purchase no more than 50% of the rated output of the wind-power generator selected, with the balance sold to private sector customers.

DISCUSSION

"A pre-bid conference was held on January 9, 2003 and over 60 prospective bidders and other interested parties were provided copies of the RFP. Nine potential suppliers submitted responses to the RFP. A multi-departmental evaluation team was assembled, headed by Marketing, Economic Development and Supply Planning, and included staff from the Energy Control Center, Energy Resource Management, Energy Risk Management, Environmental, Finance, Law, Public and Governmental Affairs, and Research and Technology Development. The review encompassed project economics, environmental and technical issues and potential economic benefits to local communities.

"A short list of four bidders was developed. Of these four, two firms, Jasper and Prattsburgh, were judged to be the most cost-effective and viable. They also demonstrated progress toward project completion and knowledge of the necessary permitting activities. One firm was eliminated from consideration because of its stated preference to use the New York Independent System Operator's ('NYISO's') hour-ahead price as the basis for calculating amounts owed each month for energy produced by the plant. Authority staff determined that it would be more advantageous to settle with its wind energy supplier based on the NYISO day-ahead market prices. Another bidder was eliminated from consideration because of its lack of progress in the permitting process.

"Jasper would supply a maximum of 26.5 MW and Prattsburgh a maximum of 23.5 MW, with the amount of energy involved in the transaction being dependent on the hourly outputs of the units.

"If approved by the Trustees, the Authority would enter into final negotiations to execute a Contract for Differences ('CFD') with each selected entity. Under the CFD arrangement, the Authority would pay a 'fixed' price based upon the amount of energy produced by the wind generator, and the wind generator would pay the Authority a 'floating' price for such amount of energy. This floating price would be based on the NYISO day-ahead market, thus offsetting the cost of equivalent energy purchased by the Authority in the NYISO day-ahead market and effectively resulting in the Authority buying the wind energy at the fixed price. The generator would sell the wind power in the NYISO day-ahead or hourly market, thus providing it the revenue it needed to pay the Authority the floating price. At least monthly, the Authority and the wind generators would settle the difference between the fixed contract price and the NYISO day-ahead market price. Scheduling the power into the NYISO would be the responsibility of the generator, not the Authority. The Authority's risk for the transaction would be minimized as compared with an arrangement requiring a physical delivery of energy to the Authority.

"In order for the Authority to comply with the State Environmental Quality Review Act ('SEQRA'), the two firms must complete the SEQRA assessment process that they have already embarked upon with the local municipalities impacted by their projects. The Authority's SEQRA regulations require, in the case where an agency other than the Authority is the lead agency, that the Trustees or their delegate take the final Environmental Impact Statement ('EIS') prepared by that agency into consideration before making a final decision on the proposed action, in this case, the issuance of a contract for power from a facility not yet constructed. A written finding that the provisions of the Authority's SEQRA regulations have been met is required. The Trustees are requested to delegate the completion of the findings statement to the Director – Environmental Division, who will review and consider the final EIS prepared by each municipality, and with the concurrence of the Executive Vice President, Secretary and General Counsel, determine that the Authority's SEQRA responsibilities have been fulfilled.

<u>FISCAL INFORMATION</u>

"The proposed agreements with Jasper and Prattsburgh will cost, in the aggregate, approximately $6.1 million each year for a total estimated annual output from both plants of 145,000 MWh. The aggregate annual over-market cost of this power, the 'green premium,' is estimated to average $600,000, assuming market prices for the contract period (2005-14) are in the $37-42 / MWh range.

"The power obtained is planned to be part of the renewable power portfolio provided by the Authority to its governmental customers who are subject to the requirements of Executive Order 111, to other Authority customers who desire to make renewable energy purchases, or used for system supply needs. The Authority expects to recover 'green premium' costs through sale of the power.

"The purchase price for this power includes the potential value of the 'green tags,' that is, the environmental attributes of this renewable energy. In some U.S. jurisdictions, these green tags trade at 1 to 2 cents per kWh. However, the market in New York State is still nascent, with Renewable Portfolio Standards under development. As these standards are finalized, the Authority will need to determine how to optimize the monetary value of these green tags for its customers and New York State.

"These projects would be negatively impacted if the Federal Production Tax Credit, currently $18/MWh and due to expire December 31, 2003, were not extended. Accordingly, the proposed contracts with Jasper and Prattsburgh allow for termination without penalty if the tax credit is not extended.

RECOMMENDATION

"The Senior Vice President – Marketing, Economic Development and Supply Planning and the Director, Supply Planning, Pricing and Power Contracts recommend that the President and Chief Executive Officer and the Senior Vice President – Marketing, Economic Development and Supply Planning each be authorized to enter into and execute long-term agreements with Chautauqua Windpower, LLC and Windfarm Prattsburgh, LLC in the form of a Contract for Differences for the supply of wind power consistent with the foregoing, subject to approval of the agreement as to form by the Executive Vice President, Secretary and General Counsel and the Vice President and Chief Risk Officer and approval of credit arrangements by the Acting Treasurer.

"The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Senior Vice President and Chief Financial Officer, and I concur in the recommendation."

Mr. Brandeis presented the highlights of staff's recommendations to the Trustees.

Trustee Carey commented favorably on the Authority's "green power" initiatives, but due to a potential conflict, abstained from voting on the measure.

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the President and Chief Executive Officer and the Senior Vice President – Marketing, Economic Development and Supply Planning be, and each hereby is, authorized, on behalf of the Authority, to enter into final negotiations and to execute contracts for differences (consisting of ISDA Master Agreements, or other swap agreements, and schedules thereto) and any necessary confirmations, between the Authority and Chautauqua Windpower, LLC, and the Authority and Windfarm Prattsburgh, LLC, for the purchase of wind energy for the contract period 2005 through 2014; (1) having such terms and conditions as such executing officer deems advisable, (2) providing for the appropriate environmental reviews, as set forth in the succeeding paragraph of this Resolution, and (3) subject to approval of such contracts and confirmations as to form by the Executive Vice President, Secretary and General Counsel and the Vice President and Chief Risk Officer, and the approval of credit-related arrangements set forth therein by the Acting Treasurer; and be it further

RESOLVED, That the Director – Environmental Division, is authorized to review and consider the final Environmental Impact Statements prepared by the municipalities having jurisdiction pursuant to State Environmental Quality Review Act over the wind power projects that are the subject of this Resolution, and to make the findings required by §461.13(b) of the Authority's Rules and Regulations, 21 NYCRR 461.13(b)(2003), subject to the concurrence of the Executive Vice President, Secretary and General Counsel; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel, certificates and other documents to effectuate the foregoing resolution.

11. Procurement (Services) Contracts – Business Units and the Facilities – Awards

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award and funding of the multi-year procurement contracts listed in Exhibit '11-A' for the Authority's Business Units/Departments, as well as for its Facilities. A detailed explanation of the nature of such services, the basis for the new awards, and the intended duration of such contracts are set forth in the discussion below.

BACKGROUND

"Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require Trustees' approval for procurement contracts involving services to be rendered for a period in excess of one year.

"In accordance with the Authority's Expenditure Authorization Procedures, the award of non-personal services or equipment purchase contracts in excess of $3,000,000, as well as personal services contracts in excess of $1,000,000 if low bidder, or $500,000 if sole source or non-low bidder, require Trustees' approval.

DISCUSSION

"While the Authority's policy is to use its own staff to perform necessary engineering, technical and craft labor work, there are cases where it is necessary to utilize external contractors or consultants to supplement Authority staff during peak working periods, or if special expertise is required that is not available within the Authority. With respect to Headquarters, it is often necessary to retain consultants to perform specialized work outside the expertise of Authority staff.

"The terms of these contracts will be more than one year, therefore the Trustees' approval is required. All of these contracts contain provisions allowing the Authority to terminate the services for the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts ranging in estimated value from $9,000 to $7,500,000. These contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

"The issuance of multi-year contracts is recommended from both a cost and efficiency standpoint. In many cases, reduced prices can be negotiated for these longer term contracts. Since these services are typically required on a continuous basis, it is more efficient to award longer term contracts than to rebid these services annually.

Contracts in Support of Business Units/Departments and the Facilities:

"The four contracts with **Arnoff Moving and Storage, Inc., Clancy Moving Systems, Inc., Delaney Moving & Storage, Inc.** (a New York State certified Women's Business Enterprise, 'WBE'), and **Liedkie Metro Movers, Inc. (Q-02-3166, PO #s TBA)** would become effective on July 1, 2003, subject to the Trustees' approval. The purpose of these contracts is to provide for corporate relocation moving services for the Authority's new and relocated employees on an 'as needed' basis. Services include a corporate relocation specialist to assist employees who have been transferred to a new work assignment on a non-temporary basis or new employees who must relocate to a new job location, as well as coordinating and managing the move of all household goods. Each firm is affiliated with a national van line: Arnoff with North American Van Lines, Clancy and Delaney with United Van Lines, and Liedkie with Paul Arpin Van Lines. Approximately twenty moves are anticipated for 2003, of which one-third are expected to be from outside New York State. Twenty-one firms were invited to submit proposals, including those responding to a notice in the Contract Reporter; eight bids were received. Based on a pricing comparison drawn from fee sheets, which indicate the estimated moving costs submitted by each bidder for a sample intrastate and interstate move, staff determined that Arnoff, Clancy and Delaney were the lowest bidders for an interstate move, and Clancy, Delaney and Liedkie were the lowest bidders for an intrastate move. Staff therefore recommends the award of four contracts to the Arnoff, Clancy, Delaney and Liedkie firms in order to accommodate the Authority's needs and scheduling requirements (e.g., on short notice or during the movers' busy season), and to provide service for various geographic locations within New York State and throughout the country, as needed. The intended term of these contracts is three years, with an option to extend for two additional years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the combined total amount expected to be expended for the initial three-year term of the contracts, $600,000.

"The three contracts with **HEPCO, Inc., Lehigh Staffing, Inc., and Rotator Staffing Services, Inc. (Q-02-3042, PO #s TBA)** would become effective on July 1, 2003, subject to the Trustees' approval. The purpose of these contracts is to provide for temporary design and drafting personnel to support the Authority's Power Generation engineering disciplines. Services may include, but are not limited to: developing drawings, designs and calculations; performing field verification and drawing update activities; document control activities; and, data acquisition and input activities (e.g., to generate and maintain Cable and Raceway Systems, Bills of Material, etc.). Although such personnel shall perform these services at the Authority's White Plains Office, under the direction and supervision of Authority staff, services may apply to any and all of the Authority's facilities. Eighteen firms were invited to bid for such services, including those responding to a notice in the Contract Reporter; eight proposals were received. The three aforementioned firms were the lowest bidders and possess all requisite qualifications; all three companies have agreed to hold their mark-up rates firm for the initial three-year term. In addition, these firms have provided temporary design/drafting personnel to the Authority under previous contracts in a timely and satisfactory manner. The intended term of these contracts is three years, with an option to extend for one additional year, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the combined total amount expected to be expended for the initial three-year term of the contracts, $7,500,000.

"The contract with **D.A. Collins Construction Co., Inc. (Q-02-3182; PO # TBA)** would become effective on June 25, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for removal, repair, and overhaul services for four regulating gates at the Authority's Vischer Ferry ('VF') Hydroelectric Project. There are a total of six regulating gates, which maintain the level of the 'pond' (Mohawk River) in accordance with Federal Energy Regulatory Commission ('FERC') license requirements. The pond level affects water intakes for towns and industry, as well as navigation upstream of the dam. The cast-iron sluice gates, which slide up and down to release water in response to river flows and levels, are subject to normal wear and tear; this results in damage to the seating surfaces and to the operating mechanism over time. Ten firms were invited to bid for such services, including those responding to a notice in the Contract Reporter. D.A. Collins was the low bidder of two bids received. Based on their qualifications and ability to perform such work (as evidenced by the overhaul of the first two gates), in addition to their competitive pricing, staff recommends the award of the subject contract to D.A. Collins. The intended term of this contract is four years and two months, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $830,912.

"The contract with **Fastech, Inc. (PO # TBA)** would become effective on July 1, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for programming enhancements to the proprietary Time Entry Scheduling System ('TESS') application software, used by the Authority's Payroll Group at each site to process, generate, manage, and transmit time and payroll data used to create the paychecks for Authority employees. The TESS application has required periodic programming support/updates for changes that are not included in the maintenance agreement. Such changes included new features that were required when old and obsolete hardware and software were replaced; they included the consolidation of seven individual databases into one centralized database, as well as the creation of export files to third party service providers and web-based time entry screens. Fastech currently maintains this proprietary software; most of the required enhancements are specific to the Authority and therefore are not covered under the maintenance agreement. In order to implement such needed changes, the Authority has required Fastech to upgrade its software programs to meet the Authority's business needs. Fastech, the developer of the proprietary TESS application software, has the unique technical skills and application knowledge needed to make future required programming enhancements for the Authority. The Authority's Information Technology ('IT') Group handles routine report generation requests, but does not have or control the proprietary TESS application program source code to make required application changes. The TESS system is being upgraded and is expected to be moved into production later this year. Forthcoming required changes and enhancements would include data entry screen changes, creation of an interface file for third-party service providers, and database conversion support. The intended term of this contract is three years, subject to the

Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $150,000.

"The contract with **Henwood Energy Services, Inc. (PO # TBA)** would become effective on July 1, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for programming enhancements to the proprietary Henwood Trading Application software used by the Energy Resource Management ('ERM') Group to process, generate, and manage generation bids on a '24/7' basis. The ERM Trading Application system has required periodic programming support/updates for changes that are not included in the maintenance agreement, in order to meet emerging needs, as the electric power industry continues to change due to deregulation. Such changes included new features that were mandated by the New York State Independent System Operator ('NYISO'), as well as enhancements needed to meet the ERM or Information Technology ('IT') Group's control procedures. Henwood currently maintains this proprietary software; most of the required enhancements are specific to the Authority and therefore are not covered under the maintenance agreement. In order to implement such needed changes, the Authority has required Henwood to upgrade its software programs to meet the Authority's business needs. Henwood, the developer of the proprietary software, has the unique technical skills and application knowledge needed to make future required programming enhancements for the Authority. The Authority's IT Group handles routine report generation requests, but does not have or control the proprietary ERM Trading Application program source code. Forthcoming enhancements would include bid security changes to protect Authority bids and the New York Grid, refining various functions, processes and screens to incorporate or improve the processing or display of bid data, and other as yet undefined changes related to entering bids into other ISO markets, as well as any emergent requirements that may be mandated by the NYISO. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $600,000.

"The contract with **KONE, Inc., formerly Montgomery KONE (PO # TBA)** would become effective on July 1, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for a complete maintenance agreement for elevators at the Authority's Clarence D. Rappleyea Building and garage. Services include, but are not limited to, at least sixteen hours of maintenance per month implementing the KONE Maintenance Method ('KMM'), a structured approach to performing maintenance tailored to the building's needs. This award is made on a sole source basis, since KONE is the original equipment manufacturer; as such, KONE is intimately familiar with all the parts and controls for each elevator and, when needed, can get parts faster and at a much-reduced cost, thereby reducing downtime. The software that runs the logic controls for the Rappleyea building and garage elevators is proprietary to KONE; the contractor can implement upgrades to the system faster and at a much more reasonable price. In addition, KONE's service mechanics are well-trained and are qualified and able to perform such work. Based on the reasons outlined above, as well as KONE's satisfactory performance under the existing contract and their attractive pricing, staff recommends the award of the subject contract to KONE. It should also be noted that staff has negotiated two free months of maintenance from KONE, in addition to a reduction in their proposed monthly rate. The intended term of this contract is three years, with an option to extend for two additional years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the initial three-year term of the contract, $350,000.

"The contract with **LSI Lightron Inc. (Q-02-3169; 4600001101)** became effective on June 2, 2003, subject to the Trustees' ratification and approval as soon as practicable. Due to time constraints and scheduling requirements to commence five projects for the New York City schools, interim approval to award the subject contract, for the initial 'target value' of $326,379, was authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. The purpose of this contract is to furnish and deliver fluorescent lighting fixtures and other equipment to support the Authority's High Efficiency Lighting Program ('HELP') in the Southeast New York ('SENY') region. Earlier this year, the major manufacturers and distributors of lighting products were invited to submit proposals to supply fixtures and equipment for the SENY HELP program in the coming year. Proposals were sent to thirty firms, including those responding to a notice in the Contract Reporter. LSI Lightron was the lowest priced qualified bidder of five bids received, of which only two were complete. Based on a review of all five bids and a detailed evaluation of the two complete bids received, staff recommended the award of the subject contract to LSI Lightron. LSI Lightron also included the new high efficiency electronic ballasts at no additional cost to the Authority. The intended term of this contract is one year, with an option for one additional year. In accordance with the Authority's Expenditure Authorization Procedures, the award of an equipment purchase contract in excess of $3,000,000 requires Trustees' approval. The Trustees' approval is therefore requested to ratify and approve the award of the subject contract to LSI Lightron, in the total contract amount expected to be expended, $3,966,533. It should be noted that all costs, including Authority overheads and the cost of advancing funds, will be recovered by the Authority.

"The Authority has identified a need to enhance the skills of its professional engineers in power system engineering in order to better prepare its engineers to meet the challenges of the electric utility industry and to develop the skills needed for the organization's success. The contract with **Power Technologies, Inc. ('PTI'; Q-02-3174; PO # TBA)** would become effective on July 1, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for the presentation/teaching of a Power System Engineering curriculum, a comprehensive, graduate-level 12-unit course to be presented to twenty Authority participants (with an option for up to ten additional participants) over a two-year period. This course is designed to supplement an academic engineering program by providing in-depth study of power system engineering topics required for engineers in the utility industry. It imparts a working knowledge in the major disciplines so an engineer, regardless of assignment, will have an understanding of the contributions and effects within the power system. Emphasis is placed on both theoretical understanding and practical problem-solving ability to equip engineers for assignments in planning, design and operation. This contract is awarded on a sole source basis because PTI is uniquely qualified and is the only known educator with an existing, industry-recognized program of this type willing to present the course at the Authority's facilities (White Plains Office) and to accommodate the Authority's schedule. A notice was also published in the Contract Reporter to identify any other potential firms that might be qualified to provide such services; there were no respondents. Based on their unique qualifications and ability to perform such work, staff therefore recommends the award of the subject contract to Power Technologies, Inc. The intended term of this contract is two years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $216,000.

"The contract with **Reprographics of NE, Inc. (4600001091)** would become effective on July 1, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for a service contract for five Hewlett Packard plotters used by the drafting group at the St. Lawrence/FDR Project. Services include two cleanings per plotter per year, as well as parts, labor and travel for all repairs. Reprographics was the sole responding bidder of three bids solicited. Based on their qualifications and ability to perform such work, in addition to their competitive pricing, staff recommends the award of the subject contract to Reprographics. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $9,000.

"The contract with **Scrufari Construction Co., Inc. (Q-02-3190; PO # TBA)** would become effective on July 1, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for the main gantry crane deck repair/rehabilitation services at the Niagara Project, in order to prevent water leakage into the operating galleries of the Robert Moses Niagara Power Plant ('RMNPP') and Lewiston Pump Generating Plant ('LPGP'). Over the years, the concrete expansion joints have experienced normal deterioration. This condition allows rain water and snow melt to leak into the operating galleries located below the crane decks at both plants. Such water intrusion poses a risk to the reliability of the electrical and mechanical equipment located in these operating galleries. The water leaks also contribute to the deterioration of the concrete adjacent to the joints, due to the freeze-thaw process. The work would include repairing the concrete cover slabs for the decks, repairing the main gantry crane and generator hatch cover rail pockets, and grouting the expansion joints. Twenty-three firms were invited to submit proposals, including those responding to a notice in the Contract Reporter; Scrufari was the low bidder of three bids received. Based on their qualifications and ability to perform such work, in addition to their competitive pricing, staff recommends the award of the subject contract to Scrufari. The intended term of this contract is two years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $2,200,000.

FISCAL INFORMATION

"Funds required to support contract services for various Headquarters Office Business Units/Departments and the Facilities have been included in the 2003 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

"Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects and will be disbursed from the Capital Fund in accordance with the Project's Capital Expenditure Authorization Request. Funds required to support the HELP program contract will be made from the Energy Conservation Effectuation and Construction Fund.

RECOMMENDATION

"The Deputy Secretary and Deputy General Counsel, the Vice President – Procurement & Real Estate, the Vice President and Chief Engineer – Power Generation, the Vice President – Energy Resource Management and Fuel Operations, the Chief Information Officer, the Director – Employee Benefits, the Director – Organizational and Employee Development, the Director – Corporate Services, the Director – Energy Services, the Regional Manager – Northern New York, the Regional Manager – Western New York, and the Regional Manager – Central New York, recommend the Trustees' approval of the award of multi-year procurement contracts to the companies listed in Exhibit 'A' and as discussed above.

"The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Business Services and Administration, the Senior Vice President and Chief Financial Officer, the Senior Vice President – Energy Services & Technology, and I concur in the recommendation."

Mr. Hoff presented the highlights of staff's recommendations to the Trustees.

Responding to questions from Vice Chairman McCullough, Messrs. Vesce and Hoff explained that relocation expenses for employees comes out of the Human Resources budget and that employees need to meet certain specified criteria in order to qualify for such benefits.

At this time, President Zeltmann congratulated Messrs. Vesce and Hoff and all of the Procurement Division for the great job they did in arranging the Authority's 13th annual Supplier Diversity Purchasing Exchange. Mr. Hoff summarized the Exchange, noting that more than 250 firms, representing a diverse array of minority- and women-owned businesses, attended the purchasing fair and had an opportunity to network with representatives of both the Authority and other corporate and government entities.

Chairman Ciminelli thanked Mr. Hoff for his presentation and stressed the importance of outreach efforts such as this event, noting, from his own experience in the business community, that many entrepreneurial individuals would not otherwise know where to start.

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multi-year procurement contracts set forth in Exhibit "11-A", attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer.

RESOLVED, that the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel, certificates and other documents to effectuate the foregoing resolution.

12. Procurement (Services) Contracts – Business Units and Facilities – Extensions, Approval of Additional Funding and Increase in Compensation Ceiling

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the continuation and funding of the procurement contracts listed in Exhibit '12-A' in support of projects and programs for the Authority's Business Units/Departments, as well as for its Facilities. In addition, the Trustees are requested to approve an increase in the compensation ceiling of the contract with Dickstein Shapiro Morin & Oshinsky, LLP. A detailed explanation of the nature of such services, the reasons for extension, the additional funding required, and the projected expiration dates are set forth below.

BACKGROUND

"Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require Trustees' approval for procurement contracts involving services to be rendered for a period in excess of one year.

"The Authority's Expenditure Authorization Procedures require Trustees' approval when a personal services contract exceeds a cumulative change order value of $500,000, or when a non-personal services or equipment purchase contract exceeds a cumulative change order limit of $3,000,000.

DISCUSSION

"While the Authority's policy is to use its own staff to perform necessary engineering and craft labor work, there are cases where it is necessary to utilize external contractors or consultants to supplement Authority staff during peak working periods, or if special expertise is required which is not available within the Authority.

"Although the firms identified in Exhibit '12-A' have provided effective services, the issues or projects requiring these services have not been resolved or completed, and the need exists for continuing these contracts. Trustees' approval is required because the terms of these contracts exceed one year and/or because the cumulative change order limits will exceed the levels authorized by the Expenditure Authorization Procedures in forthcoming change orders. All of the subject contracts contain provisions allowing the Authority to terminate the services for the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. These contract extensions do not obligate the Authority to a specific level of personnel resources or expenditures.

"Extension of each of the contracts identified in Exhibit '12-A' is requested for one or more of the following reasons: 1) additional time is required to complete the current contractual work scope or additional services related to the original work scope; 2) to accommodate an Authority or external regulatory agency schedule change which has delayed, re-prioritized, or otherwise suspended required services; 3) the original consultant is uniquely qualified to perform services and/or continue its presence, and rebidding would not be practical; or, 4) the contractor provides a proprietary technology or specialized equipment at reasonably negotiated rates, which the Authority needs to continue until a permanent system is put in place.

Contracts in Support of Business Units/Departments and Facilities:

"The contract with **Annese & Associates, Inc. (4500057309)** provides for the installation and implementation of a new Wide Area Network ('WAN') to replace the Authority's existing communications network used for voice, data and operational transmission circuits connecting all Authority sites. The original award, which was competitively bid, became effective on June 11, 2002 for a term of less than one year. The project is approximately 65% complete; most voice and data circuits and some operational circuits have been migrated to the new network. The project has incurred delays due to the complexity of moving the operational circuits (e.g., telemetry, the Energy Control Center Analog Trip System ('ATS'), and Supervisory Control and Data Acquisition

('SCADA') system) onto the network. A six-month extension is now requested in order to complete this project, now scheduled for completion by December 31, 2003. The current contract amount is $265,735; it is anticipated that an additional $50,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2003, and to approve the additional funding requested.

"The contract with **Antar-com Inc. (4500050105)** provides for the furnishing, delivery and installation of security protection and access control systems at the PowerNow! sites, as well as for related security upgrades at the Charles Poletti ('Poletti') and Richard M. Flynn ('Flynn') plants. The system includes a fence vibration detection system, cameras and associated monitoring equipment, and card readers at the PowerNow! sites, as well as cameras and other monitoring equipment, software upgrades, intercom systems and upgraded card readers at the Poletti and Flynn plants. The original award, which was competitively bid, became effective on December 27, 2001 for a term of one year, in the initial amount of $580,635. Additional funding was authorized in accordance with the Authority's Expenditure Authorization Procedures to cover additional security system upgrades and related work at the Poletti and Flynn plants, as well as necessary software upgrades for the White Plains Office. Services have continued to be performed and completion of the project has been delayed due to additional work and enhanced security features that were required to upgrade the security systems, as well as limited access to some work areas. An extension through July 31, 2003 is requested in order to complete the implementation of the security systems at all PowerNow! sites, as well as at the Poletti and Flynn plants. The current contract amount is $1,039,912; no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contract through July 31, 2003, with no additional funding requested.

"The contract with **Biedermann, Hoenig, Massamillo & Ruff, P.C. (4500020544)** provides for legal services in connection with aviation matters, including the purchase and sale of aircraft. The original agreement, which was awarded on a sole source basis, became effective on September 30, 1999, for an initial term of one year. The Authority required counsel experienced in Federal Aviation Administration ('FAA') regulatory matters, various industry issues, as well as certain methods of operation, or prospective operation, of aircraft owned by the Authority. At their meeting of September 26, 2000, the Trustees approved a one-year extension to continue services until all matters on which the Authority had Biedermann's preliminary opinion and other such matters under consideration were resolved. An additional one-year extension, with an option for one additional year (which was subsequently exercised), was approved by the Trustees at their meeting of September 25, 2001 in order to provide for continued advice and counsel of the Biedermann firm in relation to various matters. A one-year extension is now requested in order to provide for the continued advice and counsel of the Biedermann firm in relation to FAA regulatory matters, as well as to support various industry issues, on an 'as needed' basis. The current contract amount is $35,000; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contract through September 30, 2004, with no additional funding requested.

"The contract with **Carey & Walsh, Inc. (4600000874)** provides for on-call heating, ventilation and air conditioning ('HVAC') services to support maintenance operations for the Clarence D. Rappleyea Building (the Authority's White Plains Office). Services may include, but are not limited to: replacement of packaged air conditioning units, compressor replacement, emergency repairs of the air conditioning system, repairs of cafeteria freezers and cooling system refrigerated storage. The original award, which was competitively bid, became effective on September 1, 2002 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested in order to exercise the option and continue services, as may be required. The current target value is $100,000; it is anticipated that an additional $120,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through August 31, 2005 and to approve the additional funding requested.

"The five contracts with **Crickett Staffing Services, Inc. (4600000880), Geneva Staffing Services, Inc. (4600000877), New York Staffing Services, Inc. (4600000882), Rotator Staffing Services, Inc. (4600000881), and Snelling Personnel Services (4600000879)** provide for temporary secretarial, clerical and payroll personnel to support the Authority's White Plains Office on an 'as needed' basis. It should be noted that Crickett has dual certification by New York State as a Minority and Women-Owned Business Enterprise ('M/WBE') and Snelling is a certified WBE. The original awards, which were competitively bid, became effective on September 2, 2002, with an option to extend for two additional years. A two-year extension is now requested in order to exercise this option. The current contract amounts total $250,000; it is anticipated that additional funding in the combined amount of

$500,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contracts through August 31, 2005 and to approve the additional funding requested.

"The contract with **Day & Zimmerman NPS Inc. (formerly NPS Energy Services, Inc.; S96-82810)** provides for general maintenance support services for the Richard M. Flynn ('Flynn') and Charles Poletti ('Poletti') Power Projects on an 'as required' basis. These labor support services are provided during periods of routine maintenance, scheduled outages, emergency shutdowns, or technical inspections, as directed by Authority management at the two Facilities. At their meeting of June 25, 1996, the Trustees approved the award of the subject contract for an initial term of three years, with an option to extend for one additional year, and funding in the amount of $5,000,000. The original award, which was competitively bid, became effective on July 1, 1996; upon completion of the initial three-year term, the option year was exercised. Based on staff's recommendation that rebidding for such services would not result in lower costs, as well as satisfactory performance by NPS, the Trustees approved a two-year extension of the subject contract at their meeting of March 28, 2000, in order to continue services during a planned outage at each Facility, as well as to support any forced outage that might occur. An additional one-year extension was subsequently authorized in accordance with the Authority's Guidelines for Procurement Contracts in order to continue services as needed, and the contract amount was increased by $2,448,000. It should be noted that although labor rates have been subject to increase in accordance with the prevailing wage rates for craft labor, the NPS mark-up has remained firm for the past three years. An additional three-month extension is now requested in order to complete the evaluation process for a new multi-year award for such services. The current contract amount is $7,448,000 of which $6,574,593 has been expended. The Trustees' approval is requested to ratify the previously authorized additional funding and to extend the subject contract through September 30, 2003, with no additional funding requested.

"The contract with **Franklin S. Abrams (4500060206)** provides for legal services in connection with immigration matters. A shortage of qualified technical workers in the United States, as well as an increase in foreign job applications, has led to an increasing number of new employees whose employment by the Authority requires pre-employment legal work to ensure the Authority's compliance with complex immigration laws. Such work may involve assisting new employees in obtaining initial work authorization or maintaining current employees' continued work authorization status. The volume of employee-related immigration matters with which the Authority is faced has increased significantly in recent years, requiring the retention and specialized expertise of immigration counsel. The original contract, which was awarded as the result of a competitive search, became effective on August 1, 2002 for an initial term of one year, with an option to extend for two additional years. Mr. Abrams is a solo practitioner who specializes in the drafting and filing of narrowly-tailored applications for various work-related immigration visas, as well as providing general immigration law advice. Mr. Abrams has demonstrated expertise and knowledge of this specialized area and has ably represented the Authority in those immigration law matters which have arisen. In addition, Mr. Abrams has agreed to serve in a role limited to processing of actual documents and serving as consultant on specialized matters to in-house Authority attorneys, thereby realizing cost savings for the Authority. A two-year extension is now requested in order to exercise the option and to continue services, as needed. The current contract amount is $50,000; it is anticipated that an additional $100,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through July 31, 2005 and to approve the additional funding requested.

"The contract with **Goldstein & Avrutine (4500025054)** provides for legal representation services on behalf of the Authority in connection with personal injury claims and lawsuits. The original contract became effective on May 15, 2000 for an initial term of one year, with an option to extend for up to two additional years. At their meeting of March 27, 2001, the Trustees approved a two-year extension, exercising the contract option in order to continue services. The Authority is currently a third-party defendant in the lawsuit filed by Westinghouse employee, John Gasser, which seeks damages for the injuries he allegedly sustained while working at the Authority's Flynn Plant in April 1995. The law firm of Goldstein & Avrutine was originally hired by Parsons, the company which built the Flynn Plant and which contracted with Westinghouse to perform work at the Flynn Plant pursuant to warranty. The Goldstein firm has handled the case from its inception, has ably represented the Authority in the past, and is fully familiar with this case. This matter is currently waiting to be placed on the trial calendar, and a trial is expected to occur later this year or early next year. An additional one-year extension is therefore requested in order to continue services in support of the aforementioned matter. The current contract amount is $81,000; it is anticipated that an additional $10,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through May 14, 2004 and to approve the additional funding requested.

"The contract with **Hot/Shot Radar Inspections, LLC (4500057974)** provides for a pilot program to determine the internal condition of the Authority's older wooden transmission structures (poles, crossarms and braces) along the Moses-Adirondack transmission line. The process involves the use of wood penetrating aperture radar ('polSAR'), which has the ability to remotely detect the internal condition of utility poles. The polSAR radar device is mounted on a helicopter and records an image of each pole during flight; the image identifies the location and size of any void in the pole. The original award became effective on June 27, 2002 for an initial term of less than one year. The award was made on a sole source basis, since Hot/Shot Radar Inspections is the developer and sole provider of this proprietary technology. At the time of award, it was contemplated that additional time might be needed to fully evaluate the technology and to resolve any emergent issues that might arise. A one-year extension is now requested to adjust and refine the process and analyze the data in order to determine if this technology will ultimately meet the Authority's needs. If the technology proves itself, it will improve the Authority's capability to accurately determine the condition of older wooden poles and will reduce the time currently required for linemen to climb and physically inspect the poles, thereby also reducing the associated costs. The current contract amount is $27,000; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contract through June 26, 2004, with no additional funding requested.

"The contract with **Modern Disposal Services, Inc. (4600000894)** provides for asbestos-containing waste removal services for the St. Lawrence/FDR Power Project. Services include providing waste containers, transportation and disposal in accordance with the New York State Department of Environmental Conservation regulations. The original award, which was competitively bid, became effective on August 22, 2002 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested, exercising the option to continue services, as needed. The current target value is $15,000; it is anticipated that an additional $30,000 may be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees' approval is requested to extend the subject contract through August 21, 2005, and to approve the additional funding requested.

"The contract with **Management Resources Group ('MRG'; 4500054973)** provides for the analysis and standardization of nomenclature for the Authority's stock items and the cleansing of stock item data records. Services include reviewing, reclassifying and renaming of stock items at all Authority facilities by applying a uniform set of rules to all such records included in the Authority's MAXIMO and SAP systems. The methodology includes at least three passes of Authority data through MRG's proprietary iSmart technology, and also provides for the elimination of duplicates and multiple variants, data verification and quality assurance processes. The original award, which was competitively bid, was issued on April 18, 2002 for a term of less than one year, in the initial award amount of $155,000. An interim extension through June 30, 2003 was subsequently authorized in order to process additional stock item records and to complete the original scope of work. The current contract amount is $194,196 (of $219,196 that has been authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures). The Trustees' approval is requested to ratify and approve the previously authorized extension and funding through June 30, 2003; no additional time extension or funding is now requested. It should be noted that maintenance services, required to sustain data integrity in the SAP material master records, will be provided under a separate contract in the future.

"The contract with **Stuart Dean Co., Inc. (4600000814)** provides for maintenance of the metallic entrances and lobby area of the Authority's White Plains Office (Clarence D. Rappleyea Building), which are finished in a variety of stainless steel and aluminum surfaces. Services include cleaning, washing/waxing, and/or refinishing metal surfaces on the building exterior and lobby interior (e.g., doors, window frames, panels, elevator, mailbox, hardware, etc.), as well as bi-annual inspection/maintenance of the revolving and swing doors on the lobby level and recommendations for repairs and system enhancements. The original award, which was competitively bid, became effective on April 17, 2002 for an initial term of one year, with an option to extend for two additional years. An interim extension was subsequently authorized to continue services through June 24, 2003. A two-year extension is now requested in order to exercise the option and to continue services. The current target value is $87,480; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to ratify the interim extension and to extend the subject contract through April 16, 2005, with no additional funding requested.

"The contract with **Waste Management of NY – Utica (4500054987)** provides for the removal and disposal of trash and refuse for the Authority's Clark Energy Center, in accordance with all applicable Oneida

County and New York State regulations. Services also include the disposal of recyclable wastes, such as office paper, corrugated cardboard, wood, etc. The original award, which was competitively bid, became effective on May 1, 2002 for an initial term of one year, with an option to extend for two additional years. An interim extension was subsequently authorized to continue services through June 30, 2003. A two-year extension is now requested in order to exercise the option and to continue services. The current contract amount is $14,000; it is anticipated that an additional $28,000 will be required for the extended term. The Trustees' approval is requested to ratify the interim extension, to extend the subject contract through April 30, 2005, and to approve the additional funding requested.

Increase in Compensation Ceiling

"The contract with **Dickstein Shapiro Morin & Oshinsky (S98-02869)** provides for legal advice and counsel to the Authority regarding various regulatory issues and activities and, if requested by the Authority, representation before regulatory bodies (e.g., Federal Energy Regulatory Commission ('FERC'), Public Service Commission ('PSC'), New York State Siting Board) in connection with anti-trust matters and hydro-rate litigation. The services of this firm are utilized when special expertise is required that is not available within the Authority, or when it is cost-effective to handle peak workloads that cannot be covered with in-house staff. This firm has also performed work in support of the Authority's Generation Projects and provides advice on the Poletti expansion case. Due to the need to commence services, interim approval to award the contract, which became effective on March 1, 1998, had been authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. At their meeting of March 31, 1998, the Trustees approved a three-year award in the amount of $750,000. A two-year extension and an increased compensation ceiling of $1,637,500 were approved by the Trustees at their meeting of December 19, 2000. An additional one-year extension through February 28, 2004, with an option for an additional year, was approved by the Trustees at their meeting of December 17, 2002. Most recently, Dickstein Shapiro has been representing the Authority, KeySpan, the Electric Power Supply Association, and the Independent Power Producers of New York, Inc. (the 'Complainants') in a joint complaint before the FERC regarding the New York State Independent System Operator ('NYISO') rules for allocating responsibility for the cost of transmission system facilities in New York City required for new generation projects and merchant transmission owners. It is the contention of the Complainants that existing NYISO rules disproportionately place the cost of new transmission facilities on new generation projects, and this cost allocation system must be modified. Given the magnitude of these costs, the Complainants are proceeding with litigating this issue. A two-year extension is now requested to provide ongoing services for the current FERC proceeding and any further FERC proceedings, as well as for general legal advice regarding the various aforementioned issues. The current contract amount is $1,637,500; it is anticipated that an additional $1,200,000 will be required for the extended contract term. The Trustees' approval is requested to extend the subject contract through February 28, 2006 and to approve additional funding in the amount of $1,200,000, thereby increasing the compensation ceiling to $2,837,500.

FISCAL INFORMATION

"Funds required to support contract services for various Headquarters Office Business Units/Departments and the Facilities have been included in the 2003 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

"Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects and will be disbursed from the Capital Fund in accordance with the Project's Capital Expenditure Authorization Request ('CEAR').

RECOMMENDATION

"The Deputy Secretary and Deputy General Counsel, the Vice President – Procurement & Real Estate, the Vice President – Project Management, the Chief Information Officer, the Director – Corporate Security and Inspector General, the Director – Research & Technology Development, the Director – Corporate Services, the Director – Employee Benefits, the Director – Compensation & Employee/Labor Relations, Director – Operations (Flynn), the Regional Manager – Northern New York, the Regional Manager – Central New York, and the Regional Manager – Southeast New York, recommend the Trustees' approval of the extensions and additional funding of the procurement contracts listed in Exhibit '12-A', as well as an increase in the compensation ceiling of the procurement contract with Dickstein Shapiro Morin & Oshinsky.

"The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Business Services and Administration, the Senior Vice President and Chief Financial Officer, the Senior Vice President – Energy Services & Technology, and I concur in the recommendation."

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, each of the contracts listed in Exhibit "12-A" is hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed below, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures, an increase in the compensation ceiling of the contract with Dickstein Shapiro Morin & Oshinsky, be, and hereby is, approved as recommended in the foregoing report of the President and Chief Executive Officer in the amount and for the purpose listed below:

O & M /Capital	Contract Approval (Increase in Compensation Ceiling)	Projected Closing Date
Provide for legal advice and counsel to the Authority regarding various regulatory issues and activities, and, if requested, representation before regulatory bodies (FERC, PSC, etc.) in connection with anti-trust matters and hydro-rate litigation, as well as the FERC proceedings:		
Dickstein Shapiro Morin & Oshinsky S98-02869		
Additional Funding Requested	**$1,200,000**	**02/28/06**
Previously Approved Contract Amount	**$1,637,500**	
REVISED COMPENSATION CEILING	**$2,837,500**	

RESOLVED, that the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel, certificates and other documents to effectuate the foregoing resolution.

13. <u>Feeder Y49 Spare Parts – Authorization</u>

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize expenditures of up to $8,000,000 for replacement equipment and parts associated with feeder Y49, the Sound Cable Project. This is required to assure continuous operation of this critical feeder in the event that a major failure occurs.

DISCUSSION

"Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require Trustees' approval for procurement contracts involving services to be rendered for a period in excess of one year.

"In accordance with the Authority's Expenditure Authorization Procedures, the award of non-personal services or equipment contracts in excess of $3,000,000, as well as personal services in excess of over $1,000,000 if low bidder, or $500,000 if sole source or non-low bidder, require Trustees' approval.

"During the past few years, the Y49 circuit feeder had to be removed from service or de-rated for reactor, breaker, and autotransformer problems. As a result of these curtailments of transfer capability, Long Island Power Authority ('LIPA') has requested that an Engineering Study be performed to determine the critical spare parts. A list of critical spare parts was generated as a result of this Engineering Study, which is shown as Exhibit '13-A'. The total estimated cost for these items is $8,000,000.

"The program would be split into two parts with short-term lead items (eight weeks to six months) being ordered in 2003. Specification for the long-term lead items (six months to one year) would be prepared in 2003, and the equipment ordered in 2004. A breakdown of the anticipated costs per year appears in the resolution.

FISCAL INFORMATION

"Clause 3, Paragraph 7.2 of the Sound Cable Project Facilities and Marketing Agreement dated August 26, 1987 provides for the Authority to charge LIPA for the cost of replacement parts for feeder Y49. The Authority recognizes the need to mitigate the effects of such an unanticipated maintenance charge. In furtherance of this objective, the Authority would amortize the cost of recovery for the replacement parts over a 20-year period beginning with the delivery of the equipment in 2004. The cost recovery will include interest at the Authority's short-term interest rate of 4½ % on the unamortized balance. These terms are consistent with the cost recovery terms associated with the Sprain Brook reactor replacement project.

RECOMMENDATION

"The Vice President and Chief Engineer – Power Generation and the Director – Power System Equipment recommend that the Trustees authorize an expenditure of $8,000,000 to procure recommended spare parts in support of the Long Island Power Authority's reliability enhancement needs.

"The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Senior Vice President and Chief Financial Officer, and I concur in the recommendation."

Mr. Lipsky presented the highlights of staff's recommendations to the Trustees.

Responding to questions from Chairman Ciminelli, Mr. Lipsky explained that the short-term interest rate in question is fixed, rather than floating, and would be paid annually.

Responding to questions from Chairman Ciminelli and Trustee Carey, Mr. Bellis provided further detail regarding the financial logistics of the proposed authorization.

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That expenditures are hereby approved to be committed in accordance with the Authority's Expenditure Authorization Procedures for spare parts required to enhance reliability of Feeder Y49, in the amounts and for the purposes listed below:

	Expenditure Request
In the year 2003 for spare parts required for Y49	**$1,100,000**
In the year 2004 for spare parts required for Y49	**$6,900,000**

AND BE IT FURTHER RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel, certificates and other documents to effectuate the foregoing resolution.

14. Flywheel Energy Storage System Project for the Long Island Railroad Agreement and Expenditure Authorization

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the design, engineering, equipment procurement, installation, and financing of a 2.4 MW Flywheel Energy Storage System for the Long Island Railroad's ('LIRR') West Hempstead line and the expenditure of up to $4 million for such project. The installation will be owned and operated by the LIRR. The Authority will serve as the implementation contractor.

BACKGROUND

"The LIRR is in the process of replacing the existing trains with new trains capable of recovering (regenerating) energy during braking. It is anticipated that the existing fleet will be replaced with new trains within the next five years. In transit systems without sufficient energy storage capability, the braking energy is usually dissipated as heat. An energy storage system installed in the transit electricity supply will capture the braking energy, help regulate track voltage, reduce energy losses and peak demand, and improve overall efficiency. Because of their high cycling capability and definable energy storage capacity, flywheels are ideal for transit applications.

"The Authority is in the process of completing the pilot 1 MW Flywheel Energy Storage System on the New York City Transit Authority's Far Rockaway line. This project, the first of its kind in the United States, successfully demonstrated the use of flywheel energy storage on a transit system.

"The LIRR requested the Authority's assistance in implementing a similar, but larger (2.4 MW), system on its West Hempstead line. A similar request is also expected from Metro-North Rail Road.

"The LIRR 2.4 MW Flywheel Energy Storage System will operate in parallel with the LIRR electric power supply and will be installed in a prefabricated enclosure that will be re-siteable based on system needs.

DISCUSSION

Program Benefits

"The benefits from installing the 2.4 MW Flywheel Energy Storage System on the LIRR transit system power supply include voltage support, load swing minimization, reduction in energy losses, peak shaving capability, improved efficiency, and storage of regenerative braking energy without additional major multimillion dollar investments into the power supply infrastructure.

Operation

"The Authority will be responsible for design, engineering, equipment procurement, installation, and project financing. Upon completion of the installation, LIRR will take over the ownership of the equipment and be responsible for ongoing operation and maintenance of the Flywheel Energy Storage System.

Procurement

"The equipment for this System will be competitively procured and installed.

FISCAL INFORMATION

"Funding for the LIRR Flywheel Energy Storage System project will be provided from the Operating Fund and/or through commercial paper debt financing. The total cost to the Authority is estimated to not exceed $4 million. This will cover design, engineering, equipment procurement, installation, as well as Authority overheads and the cost of financing.

"All Authority costs will be recovered over a period not to exceed 10 years.

RECOMMENDATION

"The Senior Vice President – Energy Services and Technology, the Senior Vice President – Marketing and Economic Development and Supply Planning, and the Director – Research and Technology Development, recommend that the Trustees approve the implementation and funding of the project, as discussed above.

"The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Senior Vice President and Chief Financial Officer, and I concur in the recommendation."

Mr. Zelingher presented the highlights of staff's recommendations to the Trustees.

Responding to a question from Trustee Carey regarding a recent New York Times article related to this project, Mr. Zelingher provided copies of the article to each of the Trustees.

Responding to questions from Vice Chairman McCullough, Mr. Zelingher reported that the cost of this project would be recovered over a ten-year period.

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Trustees hereby authorize the implementation of the Flywheel Energy Storage System project for the LIRR, as set forth in the foregoing report of the President and Chief Executive Officer, and expenditures are hereby approved to be committed in accordance with the Authority's Expenditure Authorization Procedures, in the amount and for the purposes listed below:

Expenditures	**Expenditure Authorization**
Design, engineering, equipment procurement, installation, and Authority overhead and financing	**$4,000,000**

AND BE IT FURTHER RESOLVED, That the issuance of the Authority's Commercial Paper Notes, Series 1, Series 2, and Series 3, and the Authority's Series 1 Extendible Municipal Commercial Paper Notes, provided that the aggregate amount of Commercial Paper Notes proceeds and Operating Fund monies utilized for such project costs shall not exceed $4.0 million, and the application of proceeds of the sale thereof, is hereby authorized for the purpose of financing costs related to the project; and be it further

RESOLVED, That the Trustees authorize the President and Chief Executive Officer, the Senior Vice President – Energy Services and Technology, or such other officer designated by the President and Chief Executive Officer, to execute agreements and other documents between the Authority and the Long Island Rail Road, and to execute agreements and other documents with implementation contractors, having such terms and conditions as such executing officer deems advisable, subject to the approval of the form of such agreement by the Executive Vice President, Secretary and General Counsel, as necessary or advisable for the development and implementation of the project; and be it further

RESOLVED, That the Chairman, President and Chief Executive Officer, and all other officers of the Authority be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all

agreements, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel, certificates and other documents, which they, or any of them, may deem necessary or advisable in order to effectuate the foregoing resolution.

15. Operations and Maintenance Payments for New York State Parks

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize payments totaling up to $8 million from the Operating Fund for expenditures of the New York State Office of Parks, Recreation and Historic Preservation ('OPRHP') in New York State Fiscal Year 2003-2004. The funds are to be used for operation and maintenance of Robert Moses State Park, Coles Creek State Park, Art Park, and the Niagara Reservation. Robert Moses and Coles Creek State Parks are directly associated with the St. Lawrence-FDR Project, and will be incorporated into the new Federal Energy Regulatory Commission ('FERC') project license expected to be issued later this year. Art Park and the Niagara Reservation, though not part of the FERC-licensed project, are associated with the Niagara Power Project

"The Trustees are further requested to approve that the President and Chief Executive Officer, or his designee, be authorized to sign any documents or enter into any agreements necessary to effectuate such payment, subject to approval as to form by the Executive Vice President, Secretary and General Counsel.

BACKGROUND

"The State Fiscal Year ('SFY') 2003-2004 Executive Budget submitted by Governor George E. Pataki included within the Special Revenue-Other State Operations an appropriation of up to $8 million reflecting the Authority's assumption of responsibility for operations at four New York State Parks, including Art Park, Robert Moses, Coles Creek, and the Niagara Reservation.

"The approved New York State Budget for SFY 2003-4 adopted the Governor's recommendations. The Authority's funding is reflected in the OPRHP Patron Services Account, and consists of $4.1 million in personal service, $2.5 million in non-personal service expenses, and $1.4 million in fringe benefits.

"The provision of appropriate recreation facilities is a major issue in FERC licensure of hydroelectric power projects. OPRHP operates a number of park facilities that are either owned by the Authority and will be subject to FERC requirements upon relicensing (Robert Moses and Coles Creek), or are integrally linked to Authority operations by virtue of their location (the Niagara Reservation and Artpark). Section 1001 of the Public Authorities Law links the preservation and enhancement of the scenic beauty of Niagara Falls and the Niagara River to the development of hydroelectric power.

"OPRHP has operated Minekill State Park at the Blenheim-Gilboa Project for the Authority pursuant to a Memorandum of Understanding since 1976. Under the terms of that agreement, the Authority makes quarterly payments for projected expenses, subject to later reconciliation.

DISCUSSION

"In order to enhance the Authority's ability to address future FERC license requirements associated with state-operated park facilities at St. Lawrence and Niagara, the Authority will execute a memorandum of agreement with OPRHP. The memorandum will specify OPRHP and Authority obligations in regard to Art Park, Robert Moses State Park, Coles Creek State Park and the Niagara Reservation, and provide for the monitoring of activities and audit of expenditures made in conjunction with this authorization. As part of relicensing of the St. Lawrence-FDR Project, the Authority has committed to capital improvements at Robert Moses and Coles Creek of approximately $11 million. Niagara relicensing has only recently begun. Recreation-related matters are expected to be raised as issues in that relicensing proceeding.

"Authority payments shall be utilized for OPRHP operating costs to include, but not be limited to personal service, fringe benefits and non-personal services costs directly related to the operation of Art Park, Robert Moses State Park, Coles Creek State Park and the Niagara Reservation.

"Payments will be made to the OPRHP Patron Account in three installments. An initial payment of $4 million for the first and second quarters of SFY 2003-4 would be made immediately upon Trustee approval. Subsequent payments of $2 million each would be made at the beginning of the third and fourth quarters of the State's fiscal year. All such payments will be subject to reconciliation based on OPRHP's actual O&M expenditures for such parks.

"Payments shall be made pursuant to an annual spending plan approved by the Division of the Budget and a quarterly reconciliation report documenting all costs to be provided by OPHRP to the Authority within 45 days of the end of each quarter (Aug.15, Nov. 15, Feb. 15, and May 15).

<u>FISCAL INFORMATION</u>

"Payments pursuant to this authorization will be made from the Authority's Operating Fund.

<u>RECOMMENDATION</u>

"The Vice President of Governmental Affairs and Policy Development and the Senior Vice President of Public & Governmental Affairs recommend that the Trustees approve operating fund expenditures of up to $8.0 million for payment to the General Fund for the operation and maintenance of Art Park, Robert Moses State Park, Coles Creek State Park and the Niagara Reservation in State Fiscal Year 2003-4.

"The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, and I concur in the recommendation."

Mr. Paslow presented the highlights of staff's recommendations to the Trustees.

Chairman Ciminelli stated that he welcomed seeing New York State Parks and Recreation facilities in Western New York supported by these payments.

Responding to questions from Vice Chairman McCullough regarding the proposed duration of the commitment, Mr. Paslow noted that the staff recommendation only addressed payments for State Fiscal Year 2003-2004, however, the Trustees should expect to consider similar staff recommendations regarding such payments in the future. Mr. Blabey noted that the payments are expected to continue through the end of the current federal license for the Niagara Power Project.

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That Operating Fund expenditures of up to $8 million be made to the Special Revenue-Other Account for the Operation and maintenance of Art Park, Robert Moses State Park, Coles Creek State Park, and the Niagara Reservation, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel, and certificates and other documents to effectuate the foregoing resolution.

16. <u>Next Meeting</u>

The next Regular Meeting of the Trustees will be held on **Tuesday, July 22, 2003, at 11:00 a.m., at the New York Office**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

17. <u>Closing</u>

Upon motion duly made and seconded, the meeting was adjourned by the Chairman at approximately 11:51 a.m

David E. Blabey
Executive Vice President,
Secretary and General Counsel